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## Pretoria to Charge 780 of Those Held Under Emergency

By David Cray  
The Associated Press

**JOHANNESBURG** — The South African government said Wednesday that it planned to file criminal charges against 780 of the people it is holding under the national state of emergency imposed in 1977.

It was the first time the government had given any indication of numbers of those arrested under the emergency.

An official spokesman refused to give a total number for those detained without charge.

Estimates by South African and foreign monitoring groups range from 1,800 to more than 3,000, including labor leaders, clergymen, doctors and anti-apartheid organizers.

Meanwhile, Bishop Desmond Tutu, the moderate anti-apartheid activist, condemned the outbreak of bombings in South African cities.

In the most recent explosion, in Johannesburg on Tuesday, eight persons were injured. Bishop Tutu pleaded for talks to ease racial conflict in the country.

A spokesman for the Bureau for Information, Ronelle Henning, said at a news conference: "Police officers of 780 people detained have been prepared. The charges include murder, arson and assault."

Ms. Henning said that additional charges would be prepared but declined to say how many. She refused to say whether detainees who were not charged would be released. The spokesman said the detainees, who now are barred from seeing lawyers or other visitors, will

have "normal access" to attorneys after formal charges are filed.

Bishop Tutu, who is Anglican archbishop-elect of Cape Town, said: "I am deeply distressed at the recent spate of bombings and condemn such acts of terrorism vehemently and unequivocally."

He said that while many whites believe the bombings are the work of black radicals, many blacks suspect white extremists are responsible.

"The problems of our country cannot be solved by the violence of injustice, oppression and exploitation," the bishop said, "nor by that of those who seek to overthrow such a repressive system. Can't those recognized as authentic leaders and representatives of all our people get together and talk?"

In a series of nine explosions recently in South African cities, three persons have been killed and 98 injured. The African National Congress, the main guerrilla movement fighting the South African government, has refused to confirm or deny responsibility for any of the blasts.

Another Bureau for Information spokesman said the attack Tuesday was "in line with the adopted policy of the ANC of indiscriminate attacks."

Also Wednesday, the nation's largest labor federation — the predominantly black Congress of South African Trade Unions — issued a list of demands in response to what it said was a government crackdown on the labor movement.

The 500,000-member congress, which has indicated it might call for some type of nationwide protest on July 14, demanded the release of union leaders detained under the state of emergency and a halt to what it said was the harassment of See SOUTH AFRICA, Page 2



Helistat, an experimental airship, burning after it crashed in Lakehurst, New Jersey.

## Airship Crashes, Killing a Crewman, Near Site of the Hindenburg Disaster

New York Times Service

**LAKEHURST, New Jersey** — A nine-story-high experimental aircraft that combined four helicopters and a blimp crashed and disintegrated Tuesday night during a test flight at the United States Naval Air Engineering Center here, killing one of five crew members. The craft, called a Helistat, was designed to haul great loads of timber out of inaccessible virgin forests. It combined four old navy helicopters and a helium-filled Dacron bag 343 feet (104 meters) long and one million cubic feet (about 28,000 cubic meters) in volume.

On May 6, 1937, at the same Lakehurst air station, the hydrogen-filled German dirigible Hindenburg exploded only half a mile (about 800 meters) from the site of the accident Tuesday. The Hindenburg accident killed 36 persons.

In the craft that crashed Tuesday, the H-34 helicopters and the

helium-filled bag were attached to an aluminum superstructure. While the bag and the rotors of the helicopters supplied lift, pusher propellers, one on each helicopter, gave the craft thrust. The Helistat weighed 98,000 pounds (about 36,000 kilograms).

Donna Marie Grieco, a spokeswoman at the naval center, said the Helistat was approximately 40 feet off the ground when one of the four helicopters lost power and the airship fell to earth. Three crew members were injured, she said.

The U.S. Forest Service, which spent \$24 million on the Helistat project over the last six years, expects the craft to lift 25 tons of timber. The craft's inventor was Frank N. Piasecki, a helicopter pioneer who had set up his own aircraft company at the naval center under contract with the Forest Service.

In 1983, a General Accounting Office report estimated the final cost of the project at \$31.7 million, compared with the original estimate of \$6.7 million. The report said that several agencies had questioned the Helistat's structural integrity and that the timber industry had little interest in the project.

## U.S. High Court Endorses Plans To Relieve Bias

By Henry J. Reske  
United Press International

**WASHINGTON** — The Supreme Court gave sweeping support Wednesday to affirmative action plans and in the process handed the Reagan administration a stinging defeat by rejecting its claim that such programs could be used only to help actual victims of discrimination.

The court, in ruling on a case from Cleveland and a case from New York, endorsed affirmative action plans that benefit blacks and other minorities in both promotion and hiring.

In an opinion written by Justice William J. Brennan Jr., the Supreme Court said that federal courts may, "in appropriate cases, provide relief that benefits individuals who were not the actual victims of a defendant's discriminatory practices."

That view was a direct rejection of the administration's arguments. "The purpose of affirmative action is not to make identified victims whole, but rather to dismantle prior patterns of employment discrimination and to prevent discrimination in the future," Justice Brennan said in the New York City case, *Sheets Metal Workers v. EEOC*. It involved a local of the Sheet Metal Workers' International Association that had been ordered by a federal court to increase its nonwhite membership to 29 percent and to hire an administrator to oversee the program.

Justice Brennan wrote that "such relief is provided to the class as a whole rather than to individual members; no individual is entitled to relief, and beneficiaries need not show that they were themselves victims of discrimination."

The Justice Department had urged the court to strike down the affirmative action plans as discriminating against whites.

Civil rights leaders hailed the decision, with Ralph Nader, head of the Leadership Conference on Civil Rights, calling the ruling a "tremendous victory for civil rights."

"It underscores the nation's bipartisan commitment to affirmative action; it is an overwhelming repudiation of the *Meece-Reynolds* attempt to undermine affirmative action," he said, referring to Attorney General Robert Bork's lawsuit against the program.

In exchange, the United States agreed to withhold proposed retaliatory steps against EC agricultural exports such as wine, beer and cheese for the remainder of the year.

The agreement headed off the immediate threat of a trade war that would have further strained relations between the United States and its European allies. Relations have already been damaged by disagreements earlier this year over such issues as the U.S. bombing of Libya and arms control.

The accord followed a week of intensive talks that concluded with negotiations between Willy de Clercq, the EC trade commissioner, and Clayton K. Yeutter, the U.S. trade representative, on an overnight flight from Washington to Paris.

In Washington, the U.S. commerce secretary, Malcolm Baldrige, said the compromise gives both sides "running room."

"Neither one of us wants to get into a trade war," he said. "That's why these negotiations are taking place."

Mr. Yeutter said the agreement showed that the United States and the EC "can resolve differences decisively and amicably."

Mr. de Clercq called the accord a "fair solution" that "allows us to defend the legitimate interests of the community." He said the agreement could also ease the settlement of other trade disputes, such as one involving American citrus exports.

The 12 EC nations still must approve Wednesday's accord, and France immediately objected to the agreement during a meeting of EC ambassadors.

Mr. de Clercq said, however, that the overall EC reaction was "extremely positive" and he hoped to get members' final approval within the next few days.

Asked if the EC had backed down in the face of U.S. threats of trade retaliation, Mr. de Clercq said, "If we wanted to avoid a trade war, we had to find a bridge" between the two sides.

Mr. de Clercq said he had followed the negotiating instructions given by EC members to the Executive Commission, which represents the community in trade talks. "It's an ingenious solution," he added.

The dispute began after Spain and Portugal, as part of their terms

## J.S. Officials See No Breakthrough In Summit, Only Soviet Pressure

By Walter Pincus  
Washington Post Service

**WASHINGTON** — The Soviet Union is trying to create the illusion of movement toward a summit meeting, but there has been no breakthrough and the United States expects none until the Soviet Union gets a response to its latest arms-control proposals, according to U.S. officials.

A U.S. counteroffer will not be ready for at least "several weeks," an official said Tuesday.

Other officials said Moscow was trying to pressure Washington by suggesting that planning for a summit meeting between President Ronald Reagan and Mikhail S. Gorbachev might proceed more quickly.

The U.S. officials said that the Russians were unlikely to set a date for a summit until they have seen a U.S. reply on arms proposals that they can at least consider hope-

fully pushing for a date to be set and Moscow holding out for a tangible indication that some arms agreement would be reached.

The Shultz-Shevardnadze meeting also has stalled. U.S. officials have proposed several dates for it, but they do not think Moscow will be willing to take place until Soviet leaders have decided on a date for the summit.

Although the administration has not decided on the timing or the content of a reply to the latest Soviet arms-control proposals, U.S. officials have said that the reply will be delivered before the next round of Geneva negotiations, scheduled to resume Sept. 18.

Some officials said Tuesday that the reply might be made considerably earlier to speed planning for a summit.

An early response, an official said, "could be in a Reagan letter to Gorbachev or through diplomatic channels."

The outlook appears to be that Mr. Shultz and Mr. Shevardnadze will meet in September at the United Nations General Assembly, as is traditional, but that their session will not be focused on summit planning.

When the new Soviet ambassador to Washington, Yuri V. Dubinin, met with Mr. Reagan on June 23, they discussed the summit "in a very general sense and with no specifics," the White House

spokesman, Larry Speakes, said Tuesday.

At that meeting, another administration official said, Mr. Dubinin made reference to the Shultz-Shevardnadze meeting in the "General Assembly time frame."

White House and State Department sources described pronouncements made Tuesday by Mr. Gorbachev and a Soviet deputy foreign minister, Vladimir F. Petrovsky, as part of the summit pressure.

Mr. Gorbachev said in Warsaw that a recent letter to Mr. Reagan contained new arms proposals.

The letter, delivered by Mr. Dubinin, repeated several elements of past Soviet offers but did not contain new proposals, a U.S. official said Tuesday.

He said a New York Times report Sunday indicating that the letter contained a new position on intermediate-range nuclear forces "was wrong."



Guerrillas of the New People's Army leaving the ambush in which they killed 13 Filipino soldiers on Monday. On Wednesday, envoys of the Communist Party met with a government emissary to discuss cease-fire talks. Story, Page 4.

## Molotov Resurfaces in Soviet Press After Almost 3 Decades

By Andrew Rosenthal  
The Associated Press

**MOSCOW** — The Soviet press published on Wednesday what is believed to be the first official interview in almost three decades with Vyacheslav M. Molotov, a former top aide to Stalin who was purged under Khrushchev.

The interview with Mr. Molotov, 96, at his country home in suburban Moscow was published in Wednesday's editions of the newspaper *Moscow News* and summarized by Tass, the Soviet news agency, on its Russian and English language wire services.

Moscow News is published by the Novosti press agency in six languages, primarily for foreign readers.

The story skirted political references and described Mr. Molotov as a man who spends his time reading, walking in the woods and visiting with his children, grandchildren and great-grandchildren. In a photograph, he appeared fit.

"I am happy in my old age," he was quoted as saying. "I wish to live to reach the age of 100."

Mr. Molotov, the Kremlin's second-in-command under Stalin who also served as foreign minister, was accused at the 1961 Communist Party congress of drawing up Stalin's death lists. He was expelled from the Central Committee and given a series of increasingly obscure government posts before his retirement in 1962.

In 1964, the party expelled Mr. Molotov and he disappeared from public view, apart from a brief biography in the Great Soviet Encyclopedia.

Soviet officials said in 1984 that Mr. Molotov had been readmitted to the party but the decision was never announced to the Soviet public.

Mr. Molotov, whose name was given to the "Molotov cocktail" after he ordered the use of the gasoline bomb during World War II, is one of the last surviving participants of the 1917 Bolshevik revolution.

The Moscow News reporter met Mr. Molotov in the Moscow suburb of Zhukovka.

"We drove up to a two-story house buried in verdure," the article said. "We were welcomed in the retirement in 1962."

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Vyacheslav M. Molotov

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## As Cornish Pits Close, Miners Risk Becoming Relics

By Francis X. Clines  
New York Times Service

**PENDEEN, England** — After 35 centuries of times as hard and darkly yielding as the rock tunnels of Cornwall, the Cornish tin miner, one of the proudest and most ancient toilers of Britain, is approaching the end of his ways with a sense of absurdity as much as despair.

"The government says there's no aid to keep the mines running," said Mick McArdle, an angry loser in the defunct tin industry, "but wants us all to dress up now as country yokels in smocks and pose for the tourists who will want to see what mining was like."

Mr. McArdle would rather stay on as a miner than play a relic of himself at the local mining museum. With the last of the historic mines of Cornwall scheduled to close this summer, tourism and service industries are now cited as its future.

This is the noble place called Land's End, the westernmost point of England where idle mine shafts stretch under the sea floor. The hard-

rock, resistant locale has always marked the Cornish people as tough outlanders.

Older and more familiar than the church steeples of Christianity on Cornwall's brooding horizon are the tall stone relics of abandoned mines.

"Let's see if we can get old Maggie Thatcher, the Iron Lady, to become the Tin Lady and die with us here, eh, Mick?" said Sheila Oates, whose bitter wit has been honed through a lifetime of serving miners. "I'd say she wants us to die."

The carter of Mrs. Oates' husband and son were snuffed out in June, when a general notice to 350 workers announced the Gevor pits' closing.

The Thatcher government, true to its free-market philosophy in dealing with the collapsed world tin market, rejected an emergency request to keep the Gevor mine running. Where 600 Cornish mines once existed, there are now three, limping along at a loss amid estimates that the market could take five years or more to rebound.

This grasping at the earth by local miners predates the legends of King Arthur and the love of Tristan and Isolde in the Cornish imagination. The writer Daphne Du Maurier described the Cornish tinners as "hunters, seekers, spending themselves in the wondrous quest for treasure underground," men who saw their mines "as seamen do their ship, eternally 'she' to be praised or cursed."

The abandoned mines, or "wheals" that cover the land are as lost loves: Wheel Rose, Wheel Kitty, Wheel Harriet. Some date to the 12th century, when the tinners, who long before had attracted Phoenician and Roman traders, were singled out for privilege by the crown with separate laws.

The statutes made them free artisans rather than serfs or hired laborers, and gave them the right to move onto anyone's land in search of tin.

The tinners had their own parliament and courts, and the natives still refer to themselves

See MINERS, Page 2



# As Afghan Men Go to War, Women Emerge in World of Work

By William J. Eaton  
Los Angeles Times Service

KABUL, Afghanistan — Muslim women here are emerging from behind the folds of the traditional chador and joining their Western sisters in the working world.

The chador, the head-to-toe covering with an opening for the eyes, is still much in evidence in the villages of Afghanistan, but in Kabul it is seen much less than it was a decade ago.

The gradual decline of the garment is regarded as a sign of modernization on the part of the Afghan government, which is striving to overcome a legacy of poverty and illiteracy. Besides, since scores of thousands of young men are in uniform in this seventh year of a guerrilla war, women are needed in the military and the labor force. Thousands of women have taken up arms against the rebels, and even some village women have taken factory jobs.

Changes in the status of women have been going on since the overthrow of the monarchy in the Soviet-backed coup of 1978. This evolution has become one of the proudest boasts of the revolutionary lead-

ers, who say women have been freed from the feudal conditions that kept them subjugated and unable to acquire an education or work outside the home.

Still, only a few women have achieved any political standing, and there was an angry backlash when the government tried to make literacy training compulsory for women, as it is for men.

In schools, the ratio is still two boys to one girl, and this illustrates the tendency of many parents to keep their daughters home.

Afghanistan's literacy rate, a shocking 10 percent before the 1978 revolution, has increased slowly to 30 percent, officials recently told a group of visiting reporters. They said this is far too low, and literacy training has one of the highest priorities in the government's new five-year plan.

Before the revolution, these officials said, only about 2 percent of the women could read and write; now more than 85,000 women are being taught.

The number of women in industry has multiplied by a factor of five, as official

policy has prevailed over conservative religious beliefs.

Haroge Begom's experience is an example of what is taking place. She operates concrete-pouring machinery and overhead cranes in a Kabul factory that makes prefabricated housing, earning 2,700 afghanis a month, about \$20 at the unofficial exchange rate. She began working at the age of 9, as a seamstress, and took the factory job six years ago when she was 16.

In Jalalabad, a new olive oil factory has hired women for factory work for the first time in the history of the province. Factory director Hakim Baburi said there are 200 women on his payroll. He said that they are not allowed to work past 8 p.m. and that special arrangements have been made to care for their children.

Amondoddin Sayed Amin, a government official who was once president of the Afghan Textile Co., said that there were no women in the firm's four plants in the late 1950s but that now half the jobs in the spinning department are held by women.

"In the next 10 years," he said, "women will be running the textile factories."

The new leader of Afghanistan, Najib, recently singled out women for special notice in a speech on building up military effectiveness. "Afghan girls," he said, "the army needs your sympathetic and kind hands. Nurses and doctors are needed to help the brave and heroic soldiers."

An estimated 8,000 women are already serving in village militias, called self-defense groups. They are taught to use weapons, officials said.

Political power is another matter, apparently. Only one woman, a longtime close associate of Babrak Karmal, the former leader, is a member of the Politburo of the ruling People's Democratic Party. She is Dr. Anahita Ratebzad, a former nurse in Chicago, who was the first woman elected to Parliament in her country.

"We have to learn a lot to be able to improve the lot of our women," she said in a recent speech. "This requires a deep understanding of the traditions cherished by our people in order to be able to work among them."

She said the government's literacy training is "not quite satisfactory" and called

for more classes in residential neighborhoods and in the countryside, where the need is greatest.

About 10 percent of the 150,000 members of the ruling party are women. At a recent meeting of the National Fatherland Front, a coalition of mass organizations supporting the regime, only one woman was on the podium with the dozens of men there.

An East German woman, a technician working in Jalalabad, recently urged faster progress. In a talk with an Afghan government official, she said: "You're a thousand years behind in some ways. There's no time to lose."

The official agreed. "We need a cultural revolution," he said.

Meanwhile, at the national handicraft exhibition, 24 women were hand-loomed a rug that will eventually measure 300 square yards when it is finished.

The job moves along at the rate of two square inches a day across its width. The women calculate that it will take them 18 months to finish — suggesting that they, at least, have a great deal of patience.

## WORLD BRIEFS

### 3 Are Killed in Chilean General Strike

SANTIAGO (Reuters) — A 13-year-old girl on a family errand was shot to death by Chilean soldiers on Wednesday, raising to three the number of persons killed in the first hours of a two-day anti-government protest, police sources and witnesses said.

One witness told a local radio station that soldiers began shooting at demonstrators in southern Santiago and the girl was hit in the stomach and the leg. She had gone out to buy bread, the witness said.

A wave of bombings hit the capital and other cities as President Augusto Pinochet sent troops onto the streets to counter the opposition call for a 48-hour stoppage to press for a return to democracy.

### U.S. Missile Failure Laid to Insulation

WASHINGTON (UPI) — The explosion in April of a Titan 344 rocket shortly after takeoff was probably caused by insulation failure near a joint of the solid rocket motor, the air force said Wednesday.

"This was a real surprise to us," said Brigadier General Nathan Lindsay, who headed the investigation. "We believe the cause of the mishap was a failure in the thermal insulation in a segment of one of the two solid rocket motors. The rubber insulation most likely separated from the steel rocket motor case, allowing damage by the propellant combustion products."

The Titan, a backbone of the U.S. rocket inventory, exploded about nine seconds after ignition of the two solid-rocket motors, when the rocket was 800 feet (about 250 meters) above the launch pad.

### China Set to Mend East Europe Ties

BEIJING (UPI) — China made clear Wednesday that it was ready to end its 20-year freeze in Communist Party relations with Soviet allies in Eastern Europe, even though Beijing's relations with Moscow remain at a standstill.

In one of the clearest overtures yet to Warsaw Pact nations, a Foreign Ministry spokesman, Yu Zhizhong, said there were "no difficulties" in the way of party-to-party ties with nations of Eastern Europe.

China severed party ties with most of the nations of Eastern Europe in the mid-1960s. Since then, it has restored party relations with Yugoslavia and Romania.

### Iran Retakes Border Town From Iraq

MANAMA, Bahrain (Reuters) — Iran recaptured its border town of Mehran on Wednesday from Iraqi troops who occupied it six weeks ago, both sides said.

Iraqi forces had pulled back to the border after a two-day desert battle in which Iraq reported more than 2,500 Iraqi casualties and the capture of at least 500 prisoners. Iraq did not report casualty figures. The message "Mehran Liberated" was flashed by the Iranian news agency IRNA and was followed within an hour by a terse statement from an Iraqi military spokesman that said "the Iranian enemy managed to enter the Iranian town of Mehran and our forces withdrew to international borders."

Mehran, which has been abandoned by civilians, is 65 miles (10 kilometers) southeast of Baghdad in the south-central sector of the Cu war front. Iraq seized the town for the second time in the six-year war on May 17 in a cross-border offensive after failing to recapture the southern tip of the Faw peninsula from Iran. Iran has occupied that area since February.



### British Jeweler Held in Gold Robber

LONDON (UPI) — The police arrested a British jeweler upon his arrival from Brazil on Wednesday for questioning about a \$39-million gold bullion and diamonds robbery that was the biggest in Britain's history.

John Palmer, 39, was arrested as he stepped off a flight from Rio de Janeiro at Heathrow Airport. He was wanted for questioning in connection with the robbery near the airport in November 1983 of about the tons of gold and a quantity of diamonds from a warehouse belonging to Brinks-Mat Ltd. After the robbery, the police found a smelter near M. Palmer's home. Two men have been sentenced to 25-year prison terms and a guard was sentenced to six years. Little of the gold has been recovered.

Mr. Palmer was detained Saturday in Rio de Janeiro after arriving from Tenerife, in the Canary Islands, where he had been living for 1 month. He was traveling on an outdated passport and volunteered to return to London.

### For the Record

Several kilograms of radioactive liquid uranium leaked Monday night from a pipe in the Eurodif uranium enrichment plant near Valence in southeastern France, but the material did not escape from the plant as no one was contaminated, operators said Wednesday. (UPI)

A Jordanian student who is related to alleged guerrillas has been arrested in Genoa and charged with being a member of an armed bank police sources said Wednesday. They said Avni Hendarawi, 25, was cousin of men held in the bombing of a Berlin discotheque and in a failed attempt to bomb an Israeli airliner in London. (Reuters)

Members of the Economic Community of West African States agree Tuesday at a summit meeting in Abuja, Nigeria, to allow their citizens to live wherever they wished within the 16-nation group. (AP)

Seven fishermen were killed and 13 were wounded Tuesday when a Sri Lankan gunboat opened fire on fishing boats off the north coast. The act is restricted to hamper travel to India by Tamil insurgents. (AP)

A U.S. district judge in Tucson, Arizona, has suspended sentence against five church workers convicted May 1 of taking part in a conspiracy to smuggle Latin American aliens into the United States. (UPI)

The president of the International Olympic Committee, Juan Antonio Samaranch, held new talks Wednesday in Lausanne, Switzerland, with North and South Korea on a possible limited sharing of the 1988 Summer Games. (UPI)

### Correction

An article Wednesday about a New York Times-CBS News poll on attitudes toward immigration misstated one finding. Of those surveyed, 42 percent said immigration should be kept at present levels or increased.

### DOONESBURY



## MINERS: Cornwall Closings

(Continued from Page 1)

with pride as Cornish set well apart from "the English," these countrymen not so far off to the east.

"I'm proud of being Cornish, but not overly proud of being British," said Mrs. Oates, whose husband, Bill, lost his \$195-a-week job as a maintenance fitter after 37 years down in Gevor. He received a single severance payment of \$6,000, and they are receiving unemployment benefits of \$75 a week that she says will run out next spring.

"They tell him to retrain at age 53," she said, "but there are no jobs here."

David Mudd, a local member of Parliament, is embarrassed that his own Conservative leaders have turned a deaf ear.

"A massive disaster overwhelms the whole area," he said. "At present one person out of every four is unemployed in the mining community, and if this collapse proceeds, it will be one person out of every two."

Harsher conditions may only heighten the dark beauty of Cornwall. Modern artists and writers love its wild, smog isolation in sea-side communities beyond Penzance. In addition, the Cornwall population has grown by 10 percent in recent years to 420,000 as it attracted retirees from elsewhere in Britain, according to Mr. Mudd.

Mr. Mudd fears that idleness may be the Cornish future. He noted that some workers had begun looking for overseas mining jobs.

"This time they'll never reopen," said Brian Colver, managing director of the three remaining mines run by Cannon Consolidated Ltd. The company has requested government assistance to complete a modernization campaign and to survive until the market rebounds.

There is no economic profit in the historic mines, but a tough political question faces the Thatcher government as elections approach in the next year or so. Will it be remembered as the government that ended three millennia of Cornish mining and handed the opposition an enormous issue in the proud precincts of Cornwall?

"The Tories go after the heavy industries, demanding that workers do more to help themselves," Mr. McArdle said. "Well, we helped ourselves for months by working an extra hour each day for free to keep Gevor open, even the day last October when the London tin market collapsed."

Mrs. Oates contends that the government is more concerned about the risk of failure abroad.



Richard von Weizsäcker, president of West Germany, in London urging Parliament to meet the U.S. challenge.

## Weizsäcker Asks Europe To Meet U.S. Challenge

LONDON — President Richard von Weizsäcker of West Germany became Wednesday his country's first head of state to address the British Parliament. He urged Europeans to act with one voice to meet the U.S. challenge and play a more decisive world role.

"Are we content to allow others to dominate both world and European affairs?" Mr. von Weizsäcker told the packed audience of British political leaders and members of Parliament. "We give this impression from time to time, not least to the Americans."

"Is it not in our power to prove that this is utterly wrong?" he said, recalling that the Americans had urged the Europeans to use their weight and act in cohesion. He added that Britain, with its special ties to Washington, had a particularly important role to play.

The president, who is on the second day of a four-day visit to Britain, was speaking to a joint session of the House of Commons and House of Lords.

Mr. von Weizsäcker, 66, recalled the victims of the wars between Britain and Germany and the German bombs that destroyed the chamber of the House of Commons on May 10, 1941.

The wars of 1914-18 and 1939-45 left more than seven million dead in Germany and Britain.

"We have not forgotten the les-

## COURT: Sweeping Support of Affirmative Action

(Continued from Page 1)

ney General Edwin Meese 3d and his top assistant for civil rights enforcement, William Bradford Reynolds.

The other case, Local No. 93 vs. Cleveland, was brought by the International Association of Firefighters in challenging an agreement between the city and a group of minority firefighters to promote minorities.

The court approved the Cleveland plan by a vote of 6-3 vote, with Chief Justice Warren E. Burger and Justices Byron R. White and William H. Rehnquist dissenting from Justice Brennan's opinion and Justice Sandra Day O'Connor filing a concurrence.

Justices Burger, White and Rehnquist dissented from the Brennan opinion in the New York case, with Justice O'Connor filing a separate opinion in part dissenting and in part concurring.

### Advertising Bans Upheld

Al Kamen of The Washington Post reported earlier:

The Supreme Court, in upholding a prohibition on casino gambling advertisements in Puerto Rico, appears to have removed the legal obstacles to banning advertising for cigarettes and alcoholic drinks.

The 5-4 decision Tuesday, written by Justice Rehnquist, said that products or activities such as cigarettes, alcoholic beverages and prostitution did not enjoy constitutional protection and could be banned or heavily regulated.

"It would surely be a strange constitutional doctrine," he said, "which would concede to the legislature the authority to totally ban a product but to deny the legislature the authority to reduce demand by banning advertising."

The ruling appeared to be a

marked departure from a decade-long trend by the justices to expand the First Amendment rights of businesses and to strike down state laws restricting advertising.

So-called commercial speech generally has enjoyed some First Amendment protections but less protection than other forms of speech, such as political speech.

Justice Brennan, in dissent, said that "having decided to legalize casino gambling, Puerto Rico's decision to ban truthful speech concerning entirely lawful activity raises serious First Amendment problems."

The case involved a hotel that was fined \$2,000 by the island tourism board for violating the Games of Chance Act of 1948. That law legalized casino gambling to promote tourism but barred casino advertising on the island. The hotel said the fine violated its First Amendment rights, but Puerto Rico's highest court upheld the law.

"We have no difficulty in concluding," Justice Rehnquist said, "that the Puerto Rico legislature's interest in the health, safety and welfare of its citizens constitutes a 'substantial government interest' outweighing the First Amendment interests of the casino owners."

Lawyers on each side of the smoking issue said the ruling, in Posadas de Puerto Rico Associates vs. Tourism Company of Puerto Rico, probably would spur efforts in Congress to ban cigarette ads.

Civil liberties lawyers said they were disappointed by the court's opinion because the broad language used seemed to be a signal that bans on not only cigarette ads but on other activities or products would easily pass constitutional muster.

In another decision Tuesday, the court unanimously ruled in Bazeem vs. Friday that employers must correct "lingering effects" of job discrimination, even if that discrimination occurred before federal civil rights laws were enacted.

The case involved the North Carolina Agricultural Extension Service, which had maintained dual pay scales for white and black extension agents.

A federal appeals court said the state did not have to eliminate current pay differences that were the result of discrimination before 1972, when the federal civil rights law became applicable to public employers.

The Supreme Court, in an opinion by Justice Brennan, sharply criticized the appeals court's analysis and overturned the ruling.

## TRADE: EC, U.S. Set Farm Truce

(Continued from Page 1)

of entry into the community on Jan. 1, raised tariffs on, or restricted, imports of U.S. corn, sorghum, oilseeds and grain.

The United States charged that the moves violated GATT rules and could mean more than \$500 million a year in lost sales to American farmers. It demanded that the EC lift the restrictions or pay compensation for the lost sales, and threatened retaliation against a wide array of EC farm exports, including pork, cheese, wine, beer and chocolate.

In April, the two sides reached a truce over access to the Portuguese market of American grain and oilseeds. The United States set a July 1 deadline for settlement of the dispute over corn and sorghum exports to Spain.

Under Wednesday's agreement, during the next six months, the community will review imports of American corn, sorghum, corn gluten feed, brewers grain and citrus pellets into Spain.

If Spanish imports of the five products total less than 234,000



Willy de Clercq

tons a month, the EC will allow the difference to be made up by reducing the tariff on the products. The figure reflects the average U.S. exports of corn and sorghum to Spain last year. The reduced tariff is expected to make the products more attractive to buyers.

## Extradition Request Set In Brussels Soccer Riot

BRUSSELS — Belgium formally began on Wednesday the process of seeking the extradition of 26 British soccer fans who are alleged to have played an active part in the rioting at the European Cup soccer final on May 29, 1985, a Justice Ministry spokesman said. Thirty-nine persons were crushed to death in the violence.

## SOUTH AFRICA: Detainees

(Continued from Page 1)

union members. It demanded that detained workers be kept on companies' payrolls.

The Labor Monitoring Group, an independent team of academics, reported Tuesday that 226 union members were being detained.

Under the state of emergency, the Bureau for Information is the only source of official information. Emergency restrictions prohibit the media from reporting statements the government considers subversive and bar reporting on the activities of security forces. The regulations also ban publication of the names of those detained.

### Press Photographer Seized

A free-lance photographer working for Agence France-Presse in Cape Town was detained on Wednesday under the emergency regulations, the agency reported from Johannesburg.

### Reporter to Be Expelled

A West German television reporter said Wednesday that South Africa had rejected his appeal against expulsion and that he would leave the country on Thursday. Reuters reported from Johannesburg, Heinrich Buetgen, a correspondent for the ARD network, will be the fourth foreign journalist expelled under the emergency decree.

## Cracks Found in 35 Boeing Jumbo Jets

WASHINGTON — The Federal Aviation Administration said cracked frames have been found in the noses of 35 Boeing 747s and that it is weighing rules to require frequent inspections of the 160 jumbo jets owned by U.S. airlines.

"Failure of the structure could lead to sudden decompression," the agency said in a notice published in the Federal Register. An agency spokesman said that "there is no immediate danger of structural failure" on the planes.

At the same time, the agency warned about failure of a fuel pin in the aircraft's engine housing and said inadequate inspections may fail to uncover breaks consistently.

"This action is necessary," the notice said, "since a pin failure, if not corrected, could result in separation of the engine from the airplane."



SHIPYARD PROTEST — Spanish police fired rubber bullets at workers in northern Gijon during a demonstration against proposed layoffs in the shipbuilding industry.

## MOLOTOV: Resurfaces in Press

(Continued from Page 1)

yard in front of the house by the host. He was leaning on a walking stick.

"On learning that I am a journalist," the reporter wrote, "he said jokingly: 'It must be a dangerous thing to deal with you, and greeted me with a smile.'

Mr. Molotov said he gets up at 6:30 A.M., does 20 minutes of exercises and then walks in the forest for an hour. He reads the newspapers, rests for two hours and then spends six hours reading books, the paper said.

"I keep abreast of all events," he said. "I am inspired by the change currently taking place in our life. It's a pity that my age and health prevent me from taking an active part in it."

His comment was an apparent endorsement of the policies of Mikhail S. Gorbachev, the Soviet leader.

Mr. Molotov said that he used to browse through Moscow's bookshops, but an aching leg prevents him from doing so now.

"My daughter Svetlana and her husband Alexei Nikoov help me out," he said. "They are both historians."

Mr. Molotov, who said that he receives "a large pension," said his grandchildren and their children visit on Saturdays. "Then everything goes back to life around me," he said. "My friends do not forget me either."

He worked at Lenin's side to build the revolution and aligned himself with Stalin after Lenin died.

From 1939 to 1941 he was both prime minister and foreign minister but stepped down as prime minister in 1941 so Stalin could consolidate his power by taking that post along with party leader.

While foreign minister, he negotiated the nonaggression treaty with Germany that cleared the way for the Nazi invasion of Poland and World War II. Hitler ignored the pact and invaded the Soviet Union in 1941.

Mr. Molotov was accused of joining with Georgi M. Malenkov, 84, who is living in obscurity, and Lazar M. Kaganovich in trying to overthrow Khrushchev and was stripped of his power in 1957.

He was first given the post of ambassador to Outer Mongolia, considered a punishment. In 1960 and 1961, he held the minor job of Soviet representative to the International Atomic Energy Agency in Vienna. He retired in 1962.

## A Unified Yemen Receives Support

MANAMA, Bahrain — The presidents of North and South Yemen, brought together for the first time by Colonel Moammar Gadhafi of Libya, have pledged to work for unity of their Arabian peninsula nations, Libyan Radio reported Wednesday.

It said the three leaders met Tuesday night in Libya for talks that also were attended by Major Abdel Salam Jalloud, Colonel Gadhafi's deputy.

President Ali Abdullah Saleh of North Yemen, which is pro-Western, was quoted by the radio as saying that he was ready for unity with "brothers in the southern part in any form."

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### Colombia, Pope Urges Easing of Debt Burden

By Bradley Graham  
Washington Post Service

BOGOTA, Colombia — Pope John Paul II has begun a visit to Colombia by urging rich and poor nations to close the gap between them, and by stressing the inability of poor countries to meet existing foreign-debt obligations.

The poor populations cannot tolerate social costs, sacrificing the right of development for them remains elusive, the pope told a gathering of Colombian leaders at the presidential palace on Tuesday.

Calling for new "equitable agreements" not subject to "harshly tributary economic laws lacking social or moral criteria," John Paul said international solidarity is especially urgent in light of "the problem of foreign debt that exhausts America and other countries of the world."

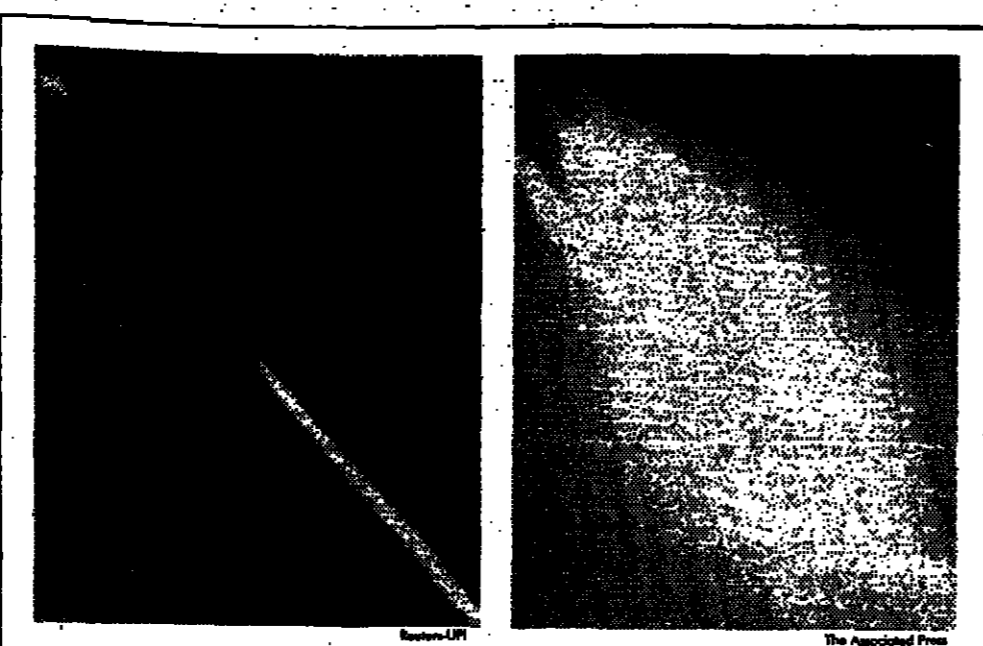
The pope's forceful remarks led him on the side of Latin American nations that have used creditor banks and governments for solutions to the debt problem.

While criticizing the external situation, he also spoke of the need for leaders in poor nations to correct such internal factors to growth as illicit business activity, unequal distribution of wealth and the transfer of capital.

John Paul's weeklong visit is to him across a country whose Catholic faith has been severely tested in recent years by guerrilla wars, heavy drug traffic, natural disasters and widespread poverty.

It is the pope's 30th trip abroad, seventh to Latin America, as he has visited more than any other. This reflects his concern for the world that will have a majority of the world's Catholics by the year 2000 and that has given to new and, for the Vatican, troublesome movements within Catholicism.

The pope, who is 66, is scheduled to take a tour of 12 cities in seven days, amid concerns about security in a country where guerrilla warfare continues despite a successful up with the main insurgent group.



### Successful Missile Test Interception in U.S.

At left, a United States Army missile over the White Sands, New Mexico, testing ground races toward a target meant to simulate a nuclear warhead. At right, the first fractional second of impact. The vehicle is known as the flexible lightweight agile guided experiment, or FLAGE. Previous targets were stationary. The pictures were taken on June 27 and released by the Pentagon this week.

### New York's Drug War: Victory in Streets but Defeat in Courts

By Jo Thomas  
New York Times Service

NEW YORK — If you buy, sell or carry drugs on the streets of New York, the odds are overwhelmingly in your favor that you will not go to prison even if you are arrested.

Two out of three people arrested on felony charges of sale or possession of substantial amounts of narcotics in the city last year were not indicted, according to the New York State Division of Criminal Justice Services.

In Manhattan, three out of four people convicted of misdemeanors for selling or possessing small quantities of drugs got no jail time beyond that served between arrest and arraignment, according to a recent study by the Manhattan district attorney's office.

Prosecutors and judges say the sheer number of arrests and a shortage of Criminal Court judges and courtrooms lie at the center of the problem.

In Manhattan alone last year, 34,564 misdemeanor cases of all kinds were filed with the court, where on any given day a third of the judges are occupied with arraignments and only six are available for trials.

A result, officials say, is such intense pressure to arrange negotiated pleas and avoid trials that it is virtually impossible to impose the full penalties provided by law.

"There's a breakdown in the criminal justice system in New York, and it's not the fault of the police," said Robert M. Stutman, the agent in charge of the New York district office of the Federal Drug Enforcement Administration.

Archibald R. Murray, the executive director of the New York's Legal Aid Society, said: "I can understand how people are afraid and worried and looking for more police, but you have to take into account the impact on the rest of the system."

Operation Pressure Point, the highly praised effort of the New York police commissioner, Benjamin Ward, to rid Manhattan's Lower East Side of pushers, illustrates both the benefits and limitations of adding officers. Since January 1984 it has used 140 extra officers in the area.

The operation's officers have made 19,600 arrests, all but 1,839 involving drugs, and they are still making 500 arrests a month. They

### Looking Ahead to When Reagan Is Past

By Sidney Blumenthal  
Washington Post Service

WASHINGTON — Last week a rare species of political animal was briefly sighted in Room EF-100 of the Capitol. This creature is an insider who is an outsider, a conservative who is called a liberal: a moderate Republican. In the age of Reagan, this label, once commonplace, seems oxymoronic.

The moderates had gathered to celebrate the redesign of the Ripon Forum, the bimonthly magazine of the Ripon Society, the quintessential moderate Republican organization founded in 1962 in Ripon, Wisconsin, where the Republican Party was founded in the early 1850s.

The animating idea of the Ripon Society was to reverse tradition and temper change: the original conservative vocation.

In the past, the group charted its hopes in relation to the Republican giants of the time. Ronald Reagan was the pole of right-wing absurdity.

Richard M. Nixon the pole of unprincipled opportunism. Between them lay the possible center, occupied by Nelson A. Rockefeller, the New York governor, who surrounded himself with bright young men of the Ripon type. An early editor of the Ripon Forum, in fact, served him as a speechwriter.

But that was an eon ago. That editor, George Gilder, has long since sloughed off the skin of moderation for that of the New Right. He was not at the party.

This was a crowd with a moderate mistrust of crowds. Its very size was moderate. "Many moderate Republicans couldn't be here," said Eileen Green, a Ripon volunteer.

Perhaps the most succinct definition of moderate Republicanism was offered by one of the celebrants, Representative Sherwood L. Boehlert, a Republican of New York, who said: "We're not going to bite someone in their neck."

A day earlier, Mr. Boehlert had

been one of a handful of Republicans to vote against \$100 million in aid to the Nicaraguan rebels. The aid was an urgent cause for Mr. Reagan.

"I'm still ducking," Mr. Boehlert said. "But I feel good with myself. I'm doing what I think is right."

Whether or not it is the right thing, he is not far enough on the right for some. In his district, a recently organized Committee to Elect a Real Republican has recruited a right-wing candidate to run against him.

The moderates are Republicans who dream of a return to normalcy. They want to go back to the future, when there was no Reagan.

"In 1988 there will be no Reagan present," said Representative Bill Green, a Republican of New York. "We're very pleased. Absent the charisma of Reagan, things are getting back to normal."

Representative Jim Leach, a Republican of Iowa, said: "Pendulums swing, but they don't swing by some law of gravity. People make them swing."

Mr. Leach is the epitome of modern moderate Republicanism. He is president of the Ripon Society and chief organizer of Mainstream Republicans, a group that tries to gain leverage with the party apparatus. He also is a founder of the 92 Group, an assemblage of moderates in the House of Representatives who think that in 1992 they might have power within the Republican Party.

"Ripon," said Mr. Leach, "is a kind of bastion of decency that's trying to hold on to the pendulum and bring it back."

The editor of the Ripon Forum is William McKenzie, 32, who was deputy research director of John B. Anderson's campaign for the presidency in 1980. Mr. Anderson was a moderate Republican who ran as an independent after Mr. Reagan won the party nomination.

Mr. McKenzie's views were elaborated in a Ripon Forum editorial entitled "On Moderate Republicanism and the Chicago Cubs." It is not the Cubs that entice Mr.

McKenzie as much as their stadium, Wrigley Field. It is venerable, has no lights and is covered with ivy. This, Mr. McKenzie wrote, is "the perfect metaphor for moderate and progressive Republicans."

He observed that the Cubs were "occasionally powerful but now often hapless" and that "being considered a relic might be quaint but it's hardly desirable." He called for the development of a moderate "infrastructure," like the Ripon Forum — the political equivalent, perhaps, of lights.

One young Ripon member, Dale Curtis, who is Mr. Boehlert's legislative assistant, said he had friends in the Reagan administration. "I know some deputy types," he said, "who say, 'Keep me informed, but don't mention my name.'"

By 7:30 P.M., just as the invitation promised, the members of the crowd had dispersed. They had eaten a moderate number of hors d'oeuvres, drunk a moderate amount of beer and white wine and made a moderate level of noise.

A moderately good time was had by all.

### New York City Prepares For Liberty Celebration

By Deirdre Carmody  
New York Times Service

NEW YORK — Square-rigged ships and naval vessels sailed around New York Harbor, 45,000 red, white and blue pennants were planted in Battery Park and hundreds of homeless protesters gathered at the city prepared for the Statue of Liberty Centennial.

On Governors Island, 3,000 seats were put up on Tuesday for the presidents of the United States and France and guests paying \$5,000 each. The opening of the four days of ceremonies is to be held there Thursday night.

In a harbor awash in sunshine, sloops and cabin cruisers watched sailing ships and navy vessels make their appearance. Flames flew overhead and the Goodyear blimp floated in the sky above the aircraft carrier John F. Kennedy.

On landfall at Battery Park City, Miss New York State repeatedly thumped a bottle of New York State champagne until it broke against one of the 100-foot (about 30-meter) masts of the Prairie Ship Liberty.

Not all the events were celebratory. Hundreds of homeless gathered in the shadow of the statue to begin a 30-hour vigil organized by the National Coalition for the Homeless.

In Liberty State Park in Jersey City, New Jersey, closer to the Statue of Liberty, the Boston Pops re-

hearsed "Yankee Doodle Dandy" in competition with a workman hammering the base of the podium. The orchestra is to give a televised concert in the park on Friday night.

The tall masts and spars of the sailing ships could be seen in the East River, the Hudson River and the World's Fair Marina in Flushing, Queens. The Bluenose 2, a Nova Scotia wood-hulled schooner, docked at the South Street Seaport on Tuesday, in time for a gala there Tuesday night to celebrate Canada Day and a Canadian Salute to Liberty.

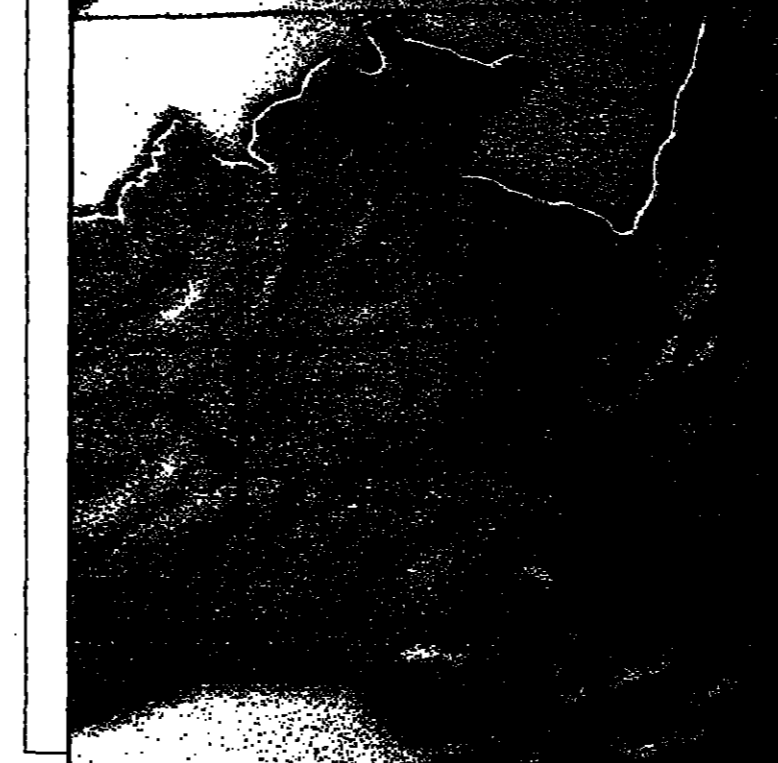
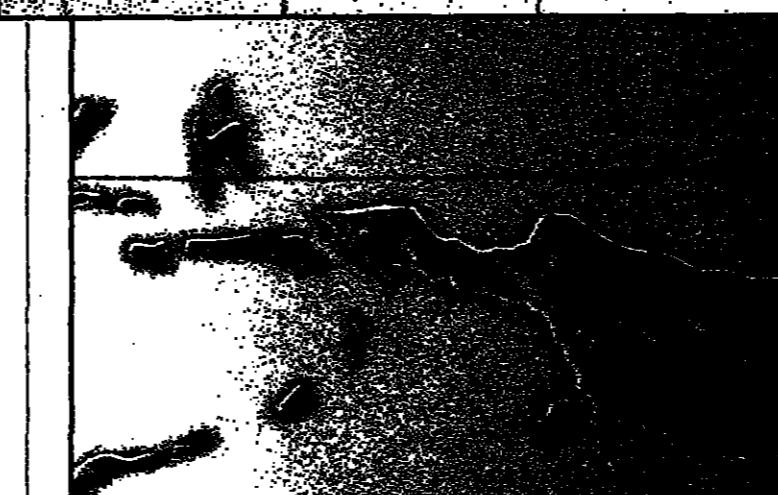
The Canadian ship joined two Norwegian full-rigged ships, Christian Radich and Sordlandet, and the Israeli brigantine Galaxy at the seaport.

The battleship Iowa, from which President Ronald Reagan is to review the ships Friday morning, is due to arrive Thursday.

The city police, who are coordinating overall security, were busy with last-minute preparations.

To insure that officers will look crisp, a bulletin went out to all commands this week forbidding men on Liberty Weekend duty from wearing the baseball-style cap that has been optional summer wear for several years.

"We feel that the standard eight-pointed cap presents a sharper, more uniform image," a department spokesman said.



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### Sandinist Defends Opposition Curbs

By Stephen Kinzer  
New York Times Service

MANAGUA — A senior Nicaraguan leader has said that two is taken against the political opposition last week did not signal the beginning of a crackdown.

But the leader, Bayardo Arce, said Tuesday that non-Sandinist groups in Nicaragua exist within a framework of laws that exists and will continue to exist as long as the aggression continues. He was referring to the guerrilla war being waged against the Sandinists by U.S.-supported rebel groups operating from Honduras.

Mr. Arce defended the decisions last week to close the opposition newspaper La Prensa and to refuse Reverend Bismarck Carballo, a non-Catholic priest known for anti-Sandinist views, permission to re-enter the country after an abroad.

On Thursday, the Sandinist government ordered La Prensa closed indefinitely. On Saturday, Father Carballo was prevented from landing a plane in Miami after the Nicaraguan government had told the officials he would not be allowed off the plane in Nicaragua. We have tolerated things that are in our situation, or even in our situation, would tolerate," said Mr. Arce, a member of nine-member Sandinist national directorate. Mr. Arce said opposition groups would continue to be tolerated to meet and maintain offices, but would not be tolerated if they supported Washington's policy toward Nicaragua.

because they defend human rights. "It can be said that we have been stupid," Mr. Arce added, "but we are not idiots."

The Sandinist newspaper, Barricada, carried an unsigned explanation on Tuesday of the decision to prevent Father Carballo from returning to Nicaragua. It cited several comments he is supposed to have made in Nicaragua and abroad in his roles as parish priest and spokesman for Cardinal Miguel Obando y Bravo, the Catholic leader of Nicaragua.

Barricada quoted him as having told a European audience that the Catholic hierarchy in Nicaragua "is against American imperialism and also against the Russian-Cuban kind."

Several other opposition activists

are abroad and Mr. Arce said they would be allowed to return. But he said the Sandinists were considering stripping Nicaraguan nationality from people who "voluntarily changed themselves into United States citizens enrolled in Reagan's Republican Party."

U.S. Policy Denounced

The Reverend Miguel d'Escoto Brockmann, Nicaragua's foreign minister, told the UN Security Council Tuesday that the vote by the U.S. House of Representatives to provide military aid to the Nicaraguan rebels "constitutes a declaration of war, carries with it dangerous and unforeseeable consequences and is one more step in the direction of sending U.S. troops to Nicaragua." The New York Times reported from the United Nations.

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SCIENCE

IN BRIEF

Japanese Develop Giant Rice Strain

TOKYO (AP)—A Japanese institute has developed a type of rice with grains the size of peanuts—about three times as heavy, two and a half times as long and half again as wide as normal Japanese rice, according to an agricultural researcher.

Test to Help Diagnose Alzheimer's

NEW YORK (UPI)—Researchers say they have developed what is believed to be the first test to help diagnose Alzheimer's disease, which is misdiagnosed in an estimated 20 percent of cases.

Africans to Study Fish's Depredations

DAR-ES-SALAAM, Tanzania (UPI)—Scientists from Tanzania, Uganda and Kenya have agreed to study the ravages of the predatory Nile perch on the ecology of Lake Victoria, Africa's biggest lake, whose shoreline the three nations share.

Growth Gene Implanted in Sheep

SYDNEY (UPI)—Scientists have announced the birth of a lamb from an embryo implanted with a gene responsible for sheep growth, which could produce a faster-growing, larger and leaner breed.

Veneral Disease Afflicts Newborns

LOS ANGELES (AP)—At least 100,000 newborns in the United States are infected each year by chlamydia, the nation's most common veneral disease, and the ailment causes pneumonia or eye inflammation in more than half of the infants, researchers say.

Japanese Project, 'Chunnel' Lead Way in New Era of Tunnels

By Walter Sullivan  
New York Times Service

A NEW era of underwater tunneling is under way, aided by giant mechanical "moles" and improved techniques for plotting courses and coping with ruptures far below the ocean surface. As a result, engineers say, interest is being revived in tunneling schemes long thought to be impractical.

The most active plan, a dream since the 18th century, is for a tunnel under the English Channel connecting Dover and Calais. Enthusiasm for the project has been fueled by the recent completion of what is now the world's longest link, a 34-mile (55-kilometer) trio of tunnels between two of the main islands of Japan.

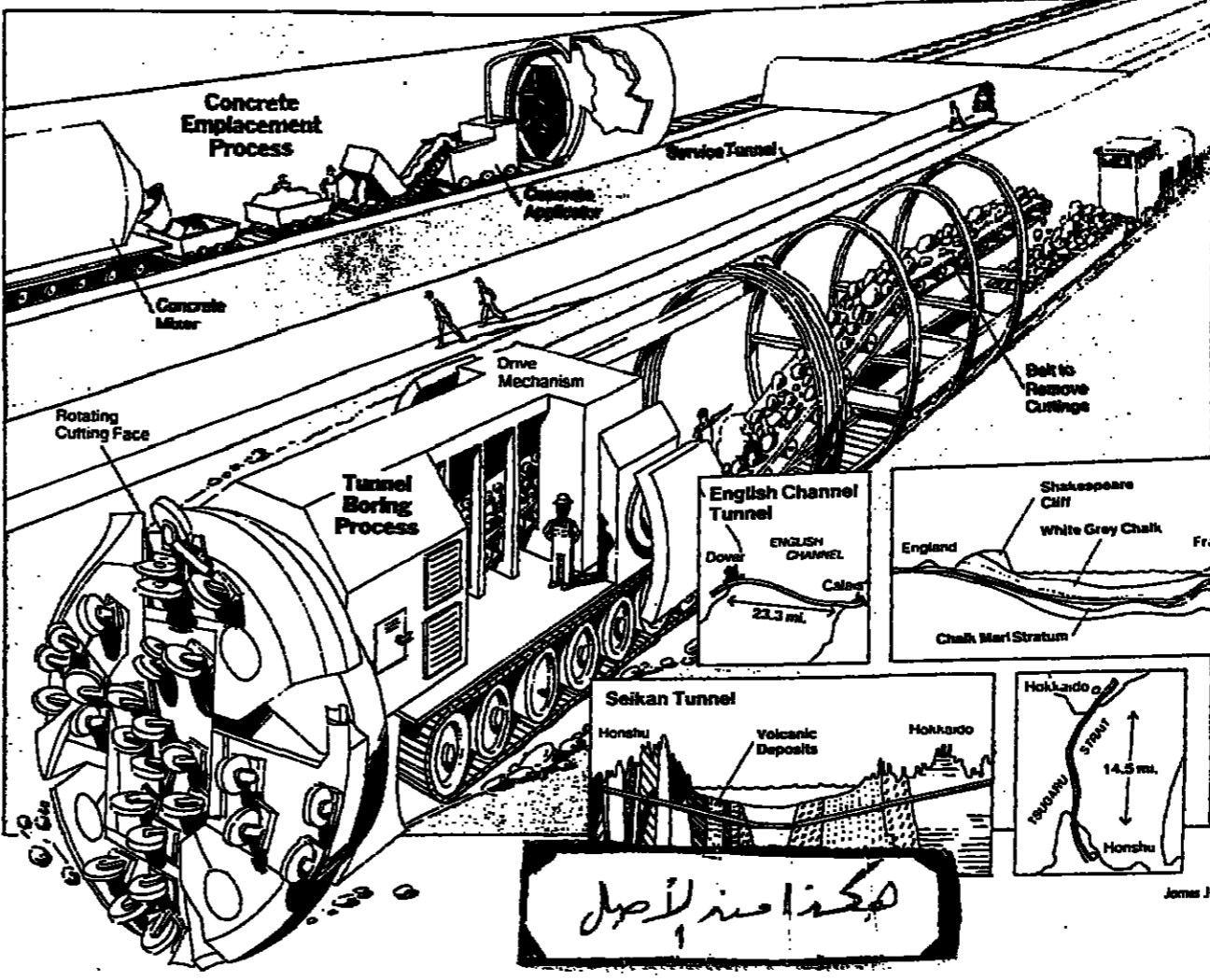
Because of the ventilation problems posed by such long tunnels, both projects are designed for high-speed, nonpolluting electric trains, rather than for automobiles.

Plans to raise initial funds for the channel project, ultimately to cost several billion dollars, have been announced by an Anglo-French consortium called Eurotunnel. It is hoped that construction can begin upon signing of an Anglo-French treaty next May, leading to completion in 1993.

Designers of the channel tunnel are mindful of the difficulties encountered by the Japanese, whose Seikan Tunnel, actually three tunnels, between Honshu and Hokkaido has cost 34 lives, chiefly in transportation accidents, since it was begun 22 years ago. There have been four major episodes of flooding.

Fourteen and a half miles of the Seikan Tunnel are under water, whereas the longest tunnel now in operation, the rapid transit tunnel under San Francisco Bay, is 3.6 miles. The submarine portion of the channel project would be more than 23 miles.

Frank P. Davidson, a tunneling specialist in the Macro-Engineering Research Group at the Massachusetts Institute of Technology, said the Japanese and channel projects were giving new life to such projects as a Danish proposal to link the island of Zealand with Fyn and the mainland by a single tunnel or tunnel-bridge combination, and a Spanish-Moroccan study on crossing the Strait of Gibraltar, where although the underwater portion would not be very long, it would have to be 900 feet (275 meters) deep, requiring very long sections approaching the submarine part to provide the gentle grades needed for trains.



between the Canadian mainland and Prince Edward Island is also being discussed.

Probably the world's longest tunnel—which is not under water—is in New York, the 85-mile Delaware Aqueduct, completed in 1944 between Rondout Reservoir east of Liberty and Hill View Reservoir in Yonkers, New York. Water Tunnel No. 3 is now being dug under the city, cutting through hard rock such as granite by the drill-and-blast method.

Underwater tunnels have traditionally been dug with a shield that is pressed forward into muck or soft rock, which is then removed through openings in the shield. Often air pressure is kept high enough in the working area to prevent water entry, as was done in the high-way tunnels radiating from Manhattan, all one to two miles long. Where sediment is deep and currents gentle, the bottom can be excavated and prefabricated tunnel sections inserted and covered, as was done under San Francisco Bay.

None of these methods was applicable to the Japanese project

across the Tsugaru Strait, which reached more than 800 feet below sea level, creating pressures far too strong for compensation by compressed air. And currents of up to 10 knots as well as the great depth ruled out the trench-and-fill process. The strait is notoriously treacherous: the tunnel was begun after 1,430 lives were lost when a ferry capsized in a 1954 typhoon.

The Japanese islands are volcanic. Giant boring machines have cut the tunnels largely through tuff or cemented ash and other volcanic debris. At many points, however, particularly on the Honshu side of the strait, the tuff was intruded by volcanic rock. Along the route geologists identified 10 fault zones, one of them an active earthquake source.

These were all potential areas where water could break through. To avoid such flooding the tunnel was routed 350 feet below the floor of the strait, which is 450 feet deep. Pressure at the tunnel depth is sufficient to drive water through tight fissures.

The English Channel tunnel

would be only about 130 feet below the floor of the relatively shallow channel.

The first of the Seikan Tunnel's three bore holes was a small pilot tunnel. Above it, a service tunnel was drilled. Then, slightly higher, the main tunnel was excavated to accommodate twin rail lines. The service tunnel, linked to the main tunnel every 2,000 feet, and the pilot tunnel have been used for ventilation and to haul out muck.

Where flooding was feared, circular arrays of holes were drilled ahead and outward from the tunnel itself. Water-resistant grout was then forced into the holes to fill any cracks and prevent flooding.

Nevertheless, in 1969, five years after excavation began, water erupted explosively into the steeply inclined access shaft on the Honshu side. In 1974 two floods occurred in the service tunnel. One filled nearly 3,000 feet of the tunnel with mud, debris and equipment.

zone of fractures. Water began pouring in at 70 tons a minute. Rapid closing of a hatch prevented flooding of the lower-lying pilot tunnel and of the pump room needed to fight the deluge.

Water was allowed into the partially completed main tunnel, rather than into the pilot tunnel. Flooding of the pilot tunnel, according to Japanese engineers, might have forced abandonment of the entire project because the pilot tunnel and its pumps on both sides of the strait provided essential drainage.

Spanish Camp Found in New Mexico

WASHINGTON (UPI)—Archaeologists in New Mexico have found the remains of a site where the Spanish explorer Francisco Vasquez de Coronado may have camped during one of his searches for El Dorado, the legendary city of gold. The spot is said to be the first non-Indian campsite of its era ever found in New Mexico.

Among the finds were seven iron horseshoe nails, a sewing needle piece of metal from a horse bit, a small unidentifiable piece of metal, several unidentifiable pieces of pottery and fragments of pottery of a type made and used by the Spaniards in the 1500s and early 1600s.

Israeli Court Challenges Government on Scandal

By Thomas L. Friedman  
New York Times Service

JERUSALEM—The Israeli Supreme Court has challenged the government to explain why there has been no police investigation of charges that the head of Shin Bet, the security service, ordered the killing of two Arab bus hijackers in 1984 and then arranged a cover-up.

U.S. Envoy Will Pass Up Vienna Fete

By Samuel G. Freedman  
New York Times Service

NEW YORK—A decision by the U.S. ambassador to Austria to miss the presidential inauguration Tuesday of Kurt Waldheim has illustrated the tender state of U.S.-Austrian relations.

Lebanese Free Abducted American

The Associated Press

BEIRUT—An American held captive by Lebanese drug traffickers, Steven John Donahue, has been released in East Beirut, Lebanese officials disclosed Wednesday.

Ozal Tells Turkish Cypriots State Should 'Live Forever'

Reuters

NICOSIA—Prime Minister Turgut Ozal of Turkey said Wednesday that he wanted the breakaway Turkish state on Cyprus to "live forever."



United Nations trucks entered the Burj al-Brajneh refugee camp in Beirut on Wednesday, bringing the first food and medicine in a month to Palestinians besieged by Shites.

4 Durban Blacks Die in Alleged Trap

By James Brooke  
New York Times Service

NEW YORK—Four black activists were killed when South African police lured them into a house with promises of weapons and raked the house with gunfire, according to a statement by one of the survivors.

Meeting on Cease-Fire Is Held in Philippines

United Press International

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By James Brooke  
New York Times Service

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Israeli Court Challenges Government on Scandal

By Thomas L. Friedman  
New York Times Service

JERUSALEM—The Israeli Supreme Court has challenged the government to explain why there has been no police investigation of charges that the head of Shin Bet, the security service, ordered the killing of two Arab bus hijackers in 1984 and then arranged a cover-up.

U.S. Envoy Will Pass Up Vienna Fete

By Samuel G. Freedman  
New York Times Service

NEW YORK—A decision by the U.S. ambassador to Austria to miss the presidential inauguration Tuesday of Kurt Waldheim has illustrated the tender state of U.S.-Austrian relations.

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# Herald Tribune

Published With The New York Times and The Washington Post

## For Democracy in Peru

Bravado in Peru has now yielded to bravery. President Alan Garcia acknowledges that the failure to control a military assault against armed, rebellious prisoners resulted, after they were crushed, in the massacre of 100 helpless inmates. Recognizing that "a horrific crime" has done "enormous damage to the country," he moved boldly to arrest 100 members of the paramilitary Republican Guard and to force the commander and the minister of justice to resign.

The measure of Mr. Garcia's daring is the rumor of an imminent military coup. He depends on the military to cope with a tough guerrilla challenge, but he holds it accountable for violations of human and democratic values. Peru's democracy is on the line in this affair, and the president merits strong encouragement.

Mr. Garcia tried but failed to reduce his dependence on the armed forces by offering to negotiate with the guerrillas last year. But Shining Path, an insurgent movement that proclaims the cause of highland Indians, has scorned discussion and aims to destabilize democratic government. It was

Shining Path captives who provoked the latest crisis over their prison uprising, and even in defeat have come dangerously close to realizing their objective.

The six-year conflict has mortgaged government to the military, giving it control over security in 19 of 126 provinces and now even in metropolitan Lima. The fighting has cost 8,000 lives and prompted the military to respond with counterterrorism. But Mr. Garcia has condemned corruption, narcotics involvement and other abuses and removed key offenders. Latin soldiers are not accustomed to such strictures from civilians. But the success of democrats throughout the Western Hemisphere depends on it.

North Americans lack direct influence over Peru's armed forces, whose basic equipment is Soviet and West European. And Peru's growing foreign debt complicates economic relations. However, as the hemisphere's dominant force, the United States can champion democratic values. Mr. Garcia needs important friends to applaud and sustain his bravery.

—THE NEW YORK TIMES.

## A Dismal Performance

In respect to the World Court's judgment that the United States is violating international law in Nicaragua, the Reagan administration has tried to have it both ways. It chose not to defend itself against Nicaragua's charges, but now it protests the court's decision. First the administration looked as if it feared that its case was weak, and now it sounds like a poor loser. This is a dismal performance all around.

The World Court is not a court in the sense that it interprets and enforces a body of law that controls the policy of sovereign states. But, aside from the narrow range of cases that states agree to submit to it, it is a custodian of something called "international law" that is a recognized and useful standard that most nations want their policy to measure up to. Americans found the court valuable in the Iranian hostage crisis. Only when Managua asked it to condemn U.S. policy did the Reagan administration start finding fault with its members and ways. The court did make a sharp departure by taking up a complaint involving an armed conflict. An alert and confident administration, however, would have realized that it had a good forum in which to reply.

Why did the Reagan administration flee the chance? The obvious defense was that the United States, in supporting the Nicaraguan

guerrillas, is engaged in collective self-defense against a government that supports Salvadoran guerrillas. But here the administration has hamstringed itself by failure to make public the intelligence showing a continuing Nicaraguan role in El Salvador.

Common sense suggests that the large Salvadoran insurgency is not supported by mirrors, any more than the Nicaraguan insurgency is. The secret intelligence has demonstrated Nicaragua's role even to many congressional critics of Reagan policy. Yet officials intent on protecting intelligence sources have prevailed over those pleading to disclose Managua's hand. It has always seemed to us a political mistake.

But that may not be the whole of it. There is reason to suspect that the administration's aim is not merely to induce the regime to leave its neighbors alone but to remove it from power. No government could acknowledge such a goal to the World Court.

That leaves the Reagan administration with the worst of two worlds. It stands condemned for violating international law, and the policy for which it is condemned seems unlikely to produce its intended result of overthrowing the Sandinistas, short of the sort of direct U.S. intervention that the president insists he rules out.

—THE WASHINGTON POST.

## Other Comment

### The Latin Political Problem

The appalling horror of the massacre at the three prisons in Lima will smudge forever the record of the government of President Alan Garcia. Not that the president, poor fellow, had much say in the matter. For his part, he is an enterprising young man doing a difficult job in trying circumstances, and his brief period in office has so far been hopeful. But he has not proved capable of controlling the armed forces of Peru. They are a law unto themselves, and can devote themselves to mayhem more or less as they like. In particular, they appear to have been given a free hand to destroy physically the Sendero Luminoso resistance movement — active in the Andes and the Lima slums as well as the prisons — with whatever weapons they have to hand. Any trace that may have remained within the Peruvian military of the progressive nationalism that characterized the regime 15 years ago of General Juan Velasco Alvarado seems finally to have been obliterated.

President Garcia's problem is by no means confined to Peru. It is a phenomenon common to virtually all those republics of South and Central America which have in the past five years or so participated in the so-called "democratization" of the continent. For the veneer of civilian rule is wafery thin. Alan Garcia's problem in Peru is Raúl Alfonsín's problem in Argentina. It is the same as in Bolivia and the countries of Central America. Civilians may have moved into the presidential palace, but they are lucky if their writ runs much further than the front door. The military, though chastened by the experience of the periods of direct rule, are still able to call the tune over a wide area of national life. And until the civilian politicians are able to produce — and implement — far-reaching programs of reform, capable of palliating the inherent injustices of the existing system, this military predominance will prevail.

To be fair to the military, they are in an unenviable position. They have to guard the nation's frontiers and regulate its internal conflicts as well. They are stretched to do both. It is they who preside over the dangerous contradictions and conflicts between different sectors of Latin American society — unfinished business since the Conquest. In a continent still marked by a deep chasm between rich and poor, between peasants and landlords and between suburban consumers and urban shantytown dwellers, the military are called to keep the peace. They do it in the only way they know how: by protecting the status quo and dealing brutally with every challenge.

### While the civilian politicians remain unable or unwilling to resolve these conflicts politically, the military are left to keep order whatever the cost — and to incur the odium. It is an intolerable pattern, one with such a lengthy historical root that perhaps only revolution can change it. In its way, the problem of South America is an intractable as that faced by South Africa.

—The Guardian (London).

### Pretoria's Dispensable Dignity

The South African Council of Churches, representing all the major Protestant churches in South Africa except the Dutch Reformed Church of the governing Afrikaners, is urging South Africans to erase the last digit — which denotes race — on their official documents and refuse to include the information on new documents.

The racial classifications are used to monitor or regulate virtually every aspect of life and are crucial to the administration of apartheid. The thinking is: If a sufficient number go along with the protest, apartheid will be rendered nearly unmanageable.

To anything that might allow white South Africans to demonstrate to their pigheaded government that they want negotiations and an end to the bloodshed, not more oppression, we say a hearty yes. If nothing else, this gesture would allow those in the privileged class to show their solidarity with those whose oppression pays for the privileges.

—The Atlanta Constitution.

### A Miscalculation in Ireland

The Irish government and campaigners for divorce obviously let themselves be lulled into a false sense of security by the encouraging results of the opinion polls. Their campaign was weak. They were forced more and more onto the defensive and failed in particular to come up with any clear answers to the case argued by the excellently organized and well financed nonreligious anti-divorce campaigners that legalized divorce would bring about a split in family property up and down the country. This argument was possibly of more benefit to those against divorce than the exhortations of the Church.

This result from the referendum has a bearing on the Northern Ireland conflict. People of Reverend Ian Paisley's stamp, who regard Catholicism as evil itself and the pope as the incarnation of the devil, will have no qualms about making a lot of political capital out of it.

—New Zürcher Zeitung (Zurich).

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## OPINION

# An Irresistible Arms Deal: Scrap SS-18s, Limit SDI

By David Ignatius

WASHINGTON — If Moscow really wants to stop "star wars," it should make Ronald Reagan an arms control offer he can't refuse — an offer that would give the United States the same benefits as "star wars" at a much lower price.

The centerpiece would be a Soviet offer to abolish the most threatening weapon that the Strategic Defense Initiative would be designed to knock out — the weapon that the Reagan administration says "fears most": the SS-18, a behemoth "heavy missile" that carries 10 highly accurate warheads capable of destroying Minuteman missiles in their silos. In exchange, the United States would agree to limit the SDI.

Reducing the Soviet threat to the U.S. missile force by abolishing the SS-18 "would be the functional equivalent of SDI," says Lieutenant General Brent Scowcroft, a former national security adviser in the Ford administration.

"From a negotiating standpoint,

this trade-off would be a sensible way to move," says Paul Warnke, former SALT-2 negotiator. "It would allow the Reagan administration to accomplish what they say they want to accomplish — a survivable ICBM force — much more cheaply and reliably than SDI."

This sort of trade-off, in which each side stands to gain at least as much as it gives up, is the basis of any successful negotiation. Such a "grand compromise," as Strobe Talbott of Time magazine has called it, could be the crowning achievement of the Reagan administration. It would enhance U.S. security — but without the cost, military risks and political headaches of the SDI.

In making this bargain, the Reagan administration would be recognizing that the most that can be expected from the SDI in this century is a system of partial defense, one that might be able to defend missile

silos but could not fully defend population centers.

To see how a new arms control deal might work, let's take an imaginary walk in the woods with the Soviet negotiator in Geneva, Viktor Karpov, and his American counterpart, Max Kampelman.

Mr. Kampelman wants to reduce the Soviet threat to America's nuclear deterrent, particularly silo-based missiles. For this reason he strongly supports the SDI, seeing it as an important way to reduce U.S. vulnerability. He wrote last year that one of the reasons to deploy space-based defenses is that they "could effectively contend with the menace of the Soviet SS-18s."

Mr. Kampelman also favors sharp cuts in the throw-weight of Soviet heavy missiles, such as the SS-18s, and has made a proposal that would accomplish this goal.

Mr. Karpov's main goal in the

Geneva arms control talks is to limit the SDI. In June he proposed sharp cuts in Soviet land-based missiles in exchange for a pledge that both sides would continue abiding by the 1972 anti-ballistic missile treaty for at least 15 more years.

He also proposed amendments to the ABM treaty (such as a redefinition of the word "development" and a new definition for the word "prototype") that would have the effect of banning all but the most basic laboratory research on the SDI.

As Viktor and Max stroll through the woods outside Geneva, they realize that with clever bargaining they both can achieve their goals.

Here is the compromise: Both sides agree to reduce their ballistic-missile warheads to 6,000, of which no more than 3,600 could be based on ICBMs (members included in an initial Soviet offer last year).

That is about half what the Soviet

ICBM warhead total would be in 1990 under SALT-2. What makes this offer hard to refuse is Mr. Karpov's promise that in meeting these new levels the Soviets will scrap their SS-18 force entirely and allow the United States to verify that the missiles have been destroyed. This means they lose 3,080 highly accurate, silo-based warheads.

The Americans, in return, agree that for 10 years they will limit the SDI to a research effort, with no operational testing or development. The American side might also agree to forego deployment of its "first-strike" weapon, the MX.

This deal is attractive to hypothetical American negotiators: They realize that it would be vastly more expensive, perhaps technologically impossible, to develop the SDI system of defenses by 1993 that could accomplish the same goal of neutralizing 3,080 warheads.

Abolishing Soviet warheads at the stroke of a pen is much easier than shooting them down.

In real life, giving up the SDI will be very difficult for the Reagan administration. Explains Michael Mobbs, assistant director of the Arms Control Agency: "If you conceive of SDI only as something that you do to enhance the security of the ICBM fields, then obviously you have to consider all the ways you can enhance this ICBM force."

"But I don't think we should consider SDI that narrowly. I think defenses would be useful, should they prove feasible, even if offensively dropped to zero, as a hedge against a Soviet treaty breakout or nuclear threats by other countries."

Critics might also argue that although this new walk-in-the-woods agreement might reduce the threat to the U.S. ICBM force, it would not eliminate it entirely. The Soviets could still destroy America's 1,000 Minuteman silos with as few as 2,000 warheads.

These critics would be right, but there is a simple, long-range solution for the vulnerability of U.S. silo-based missiles: replace them with mobile missiles.

By reducing the Soviet threat to American nuclear forces, mobile missiles would accomplish the same goal as SDI defenses. And they would be much cheaper. A force of 500 Midgamean missiles probably would cost \$40-to-\$50 billion. An SDI system that would allow the same number of silo-based ICBMs to survive a Soviet attack could cost at least twice as much.

The Reagan administration should drop its Geneva proposal to ban mobile missiles and learn to love them. Both sides will be stronger and more secure if they replace their vulnerable ICBMs with mobile missiles like the new Soviet SS-25 and the U.S. Midgamean.

The shape of the arms control deal of the 1980s is obvious. The challenge for the Soviet Union is to offer the United States strategic benefits that are equivalent to the SDI. Then the challenge for Ronald Reagan will be to say yes.

The writer is an associate editor of The Washington Post.

## Reagan's To-and-Froing Leaves Allies Perplexed

By Christoph Bertram

HAMBURG — There is a whiff of optimism in the air. Moscow and Washington may be nearing a possible "turning point," as President Reagan put it in his Glassboro, New Jersey speech on June 19. Many in Europe who used to criticize the Reagan administration for not moving more forcefully toward arms control now wonder whether they have been wrong. Mr. Reagan has always claimed that, once America was strong again, the Soviets would want to deal. Is his strategy finally working out?

The answer, unfortunately, remains negative. There still is no strategy in the administration worthy of the name. Among the president's closest advisers, there are those fundamentally opposed to arms control and those who want to give it a try. The administration is divided not only on practicalities but also on principles.

The president has encouraged these divisions. All along he has talked with forked tongue about the basic issues of arms control:

• The SALT-2 treaty was condemned as fatally flawed but was nevertheless observed for five years. A month ago it was declared dead. Now it is being resurrected to some kind of half-life. (The Soviet Union has asked for a special session of the Standing Consultative Commission, a joint U.S.-Soviet panel that considers disputes about adherence to strategic arms treaties, to discuss President Reagan's decision not to abide by the treaty.)

• The U.S.-Soviet anti-ballistic missile treaty was at first interpreted as banning tests for space-based defenses, then reinterpreted — to remove any such restriction. Nevertheless, the administration said last October that it would for the time being still

apply the first interpretation, which it believes to be legally incorrect.

• The Strategic Defense Initiative, Mr. Reagan's "star wars" vision of a space-based missile shield, was at first supposed to replace the doctrine of mutual assured destruction. Then, at the insistence of European leaders like Britain's Margaret Thatcher, it was declared a way of enhancing deterrence. Now it seems back to its former purpose.

Even in his Glassboro speech the president was unwilling to dispel these confusions. "Let us seek actual arms reductions," he said. But also: "Let us leave behind the defense policy of mutual assured destruction and seek to put in its place a defense that truly defends... a shield that could protect us from nuclear missiles just as a roof protects a family."

Which is it to be? The Soviet Union's recent proposals for reducing offensive strategic arms are all contingent on some restriction on the SDI; unless the United States accepts such restrictions, there are no incentives for the Soviet Union to reduce its offensive arms.

But are the Soviets not showing greater flexibility now? Yes, but carefully because American demands are high. Mikhail Gorbachev, for one, has a clear strategy. Convinced that the Soviet Union is, for economic and technological reasons, in a position inferior to its superpower rival, he wants to constrain the power of the United States — much as Richard Nixon and Henry Kissinger in the early 1970s, aware of America's weakness after the Vietnam War, sought to limit Soviet power through arms control and détente.

The confusion in Washington is actually playing into Mr. Gorbachev's hand: Every time the president placates his right wing, he also



— given the avalanche of Soviet peace initiatives — has to appease the moderates. The paradoxical result is that the stronger power, the United States, is pleading for a summit meeting while the weaker one plays hard to get.

The price of ambiguity and confusion in Washington is likely to rise further if Soviet-American negotiations ever reach the critical stage of hard bargaining. When that time comes, the president will find that he has given hostages to fortune. The successful conduct of arms control and East-West policies requires a long-range perspective. If that perspective is missing, the nitty-gritty of detail will provide ample opportunity to those who want to torpedo any deal, however reasonable.

This does not rule out progress in East-West relations entirely. There may well be some, but it will be the result of accident rather than design.

## Austrians Under Waldheim: A Memory Void in Need of Filling

By Flora Lewis

VIENNA — Kurt Waldheim, the former United Nations secretary-general, is to be inaugurated president of Austria on July 8. Fortunately, Austrian custom dictates a quiet inauguration, so other countries haven't to make an unpleasant protocol choice of showing distaste for the man or sending high-level delegations. In any case, U.S. Ambassador Ronald Lauder has let it be known he will not attend; he will be represented by his chargé d'affaires.

However, this question of dealing with the Austrian president during Mr. Waldheim's term is going to be difficult and will not, should not go away. The responsibility for under-

standing the widespread revisionism over his election rests with Austrians, with their press, their intellectuals, their opinion leaders.

There is also a responsibility on those who criticized from outside to show that it was not a mere campaign issue, a brief and crude attempt to influence local politics, or some kind of foreign media or Jewish plot, as many here like to charge.

A long, sharp debate last week on a popular television program showed that the point has not been digested. There were wild exaggerations, claims that all Austrians are accused

of being Nazis, that Americans sought revenge on Mr. Waldheim for frequent United Nations bias against the United States that West Germans were getting even because they are jealous of Austria's neutrality.

As a participant, I was struck by the righteous indignation of the Austrian speakers. They asked why, when Austria had been praised so much for its help to refugees, for its economic success, for its scenery and its music, there had been a sudden, inexplicable shift to disapproval. It was as though they felt they had earned immunity from criticism for any reason else.

There was a lot of talk about the "new beginning" after World War II, and about being "a small country," as if that should assure absolution. There was a sense that having washed his hands of the past, Austria's hands were stainless forevermore. There was precious little acknowledgment that remembering is what the reproach was all about, no longer about who did exactly what in the Nazi time but whether the past has a shadow or can simply be made to disappear.

Mr. Waldheim's argument that he only did "his duty" as a soldier during the war and has nothing to regret stands in moral contradiction to the eager assertion that Austria was the Nazis' first victim. That characterization was an allied wartime tactic in hopes of provoking desertion from the Nazi cause, not a blessing sponging away all that happened.

Peter Jankovitsch, the new Socialist foreign minister, has pointed out that Austrians tended to take the United States for granted, assuming that all was forgotten as well as forgiven. He reminds Austrian interviewees, the United States made a tremendous sacrifice in lost land and treasure to free Europe from the Nazis, and Americans do remember.

There are people here who realize that international concern was waldheim personally, that there remains a need in this country "to come to terms with the past," as it is put. In a cruel joke, highly selective lapses of

memory have come to be called "Waldheim's disease."

But few examine the past and place it before their countrymen in an emotionally effective way. When one looks closely, the void is the silence of intellectuals, even more important than that of politicians. In Germany it was writers, filmmakers, artists who made the leap over the wall of ignorance, feigned or real, so that the past could take its place. Such voices have been missing in Austria.

That seems strange, in the light of the tremendously impressive Vienna exhibition "Dream and Reality," which has just been sent to New York. It is bursting with the creativity, the sensitivity, even the obsessions that once made Vienna such a rich, exciting capital of world culture.

It seems strange until memory also notes how great a part the lively Vienna Jewish community contributed. Only a vestige remains.

There is still a good humor, a bonhomie, a sense of raucous fun in the country. But the society seems cut off from the wide-ranging imaginations of the world, despite the claims of being a bridge between East and West and an international center.

Only the Austrians, by looking deeper inward and reaching out less around them, can overcome the void around them. It is not a reason to shun them, but neither is it a reason to extend the silence that Mr. Waldheim has come to symbolize. It is a reason to remind them that others remember, and expect them to care.

The New York Times.

## Austrians Stood Up to Hitler's Germany

By G.-K. Kindermann

MUNICH — The controversy that accompanied Austria's recent presidential election has occasionally led to the astonishing assertion that Austria was a willing accomplice of Nazism rather than its victim. But what are the facts?

In "Mein Kampf" Hitler admitted his deep hatred of the Austrian state. Claiming that its policies were hostile, that they were influenced by the Vatican, the Jews and Hapsburg loyalists and led the country away from Germany and toward a process of "Switzerlandization," Hitler started a brutal civil war in May 1933 against Austria, which had been critically impoverished by World War I. He decreed a boycott of Austrian tourism and drastic cuts in German imports from Austria.

At the same time he started a vicious propaganda war against Austria, a statehood and created an Austrian "legion" of thousands of Austrian Nazis who had fled to Germany, deploying it near the border. Meanwhile, Nazi militants conducted a campaign of bombings, intimidation and assassinations across Austria.

Faced with the clear alternatives of either facilitating absorption by the Third Reich or being annihilated, Engelbert Dollfuss, Austria's chancellor at the time, decided to fight back. The National Socialist (Nazi) Party and its organs were outlawed. Terrorism was threatened with severe penalties. Austria became the first European state to call up army reinforcements for the specific purpose of countering the Nazi threat from within and without.

Criticizing Nazism more directly than other European government leaders of his day, Mr. Dollfuss and

Without the support of popular uprisings, the Nazis were isolated.

In London, The Times wrote that Mr. Dollfuss would "be remembered as the chancellor of Austria who, when called to lead the patriotic resistance of his country against the co-ercive attempts of German Nazism to assimilate it to the Third Reich, put up a fight of the utmost gallantry."

Hitler, admitting failure, suspended violence against Austria. A U.S. senator, Claude Pepper, later called this "Hitler's first defeat." Austria's resistance bought tragically wasted time for Europe and world peace.

In 1936, under mounting pressure from the Berlin-Rome axis, Chancellor Kurt von Schuschnigg played for time. A patriot but less of a fighter than Mr. Dollfuss, he concluded a compromise agreement with Berlin that weakened Austria's position while maintaining its independence.

Yet in the final crisis of 1938 the Austrian government refused to the last to accept the Anschluss. When it proposed a plebiscite on the issue, Hitler's army crossed the border. Immediately, Hitler dissolved the Austrian state and even forbade the hated name of Austria.

Because of Austria's success in defeating the Nazi uprising of 1934, Nazi rule did not come from within but from without. Here lies an important difference between the German and the Austrian experience.

The writer, professor of political science and director of the Center for International Politics at the University of Munich, is author of "Hitler's Neighbors in Austria" ("Hitler's Defeat in Austria"). He contributed this comment to the International Herald Tribune.

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But few examine the past and place it before their countrymen in an emotionally effective way. When one looks closely, the void is the silence of intellectuals, even more important than that of politicians. In Germany it was writers, filmmakers, artists who made the leap over the wall of ignorance, feigned or real, so that the past could take its place. Such voices have been missing in Austria.

That seems strange, in the light of the tremendously impressive Vienna exhibition "Dream and Reality," which has just been sent to New York. It is bursting with the creativity, the sensitivity, even the obsessions that once made Vienna such a rich, exciting capital of world culture.

It seems strange until memory also notes how great a part the lively Vienna Jewish community contributed. Only a vestige remains.

There is still a good humor, a bonhomie, a sense of raucous fun in the country. But the society seems cut off from the wide-ranging imaginations of the world, despite the claims of being a bridge between East and West and an international center.

Only the Austrians, by looking deeper inward and reaching out less around them, can overcome the void around them. It is not a reason to shun them, but neither is it a reason to extend the silence that Mr. Waldheim has come to symbolize. It is a reason to remind them that others remember, and expect them to care.

The New York Times.

## IN OUR PAGES, 75 AND 50 YEARS AGO

1911: Quake Alarms City  
 NEW YORK — San Francisco was badly frightened [on July 2] by an earthquake which shook the city, but did little damage, though it caused panic in the business and residential districts, where residents feared that a repetition of the 1906 disaster was impending. The initial vibration lasted a few seconds. This was followed by two quakes that wrenched the earth in an alarming manner. Sky-scrapers shook ominously and deep cracks were made in many structures, including the Hall of Justice, one of the few buildings which survived the 1906 earthquake. People, screaming wildly, rushed into the streets. When the second tremor came, more intense than the first, hundreds of buildings rocked. About a score of persons were taken to the hospitals suffering from shock and bruises.

1936: Trouble in Algeria  
 PARIS — Governor-General Le Beau of Algeria was summoned to Paris [on July 2] for a conference with the Minister of the Interior. Disorders in French North Africa have been increasingly frequent under the stress of political friendship, strike movements and animosity between Arabs and Jews. In Algiers police had difficulty [on July 1] in dispersing 200 native strikers led by Europeans who were on their way to force workers to quit their jobs. At Oran a Frenchman aimed his revolver at the mayor of the town, Abbe Lambert, and would have fired had not a policeman snatched the weapon away. The Abbe, leader of a Nationalist movement, was leading a delegation of mayors to the Prefect of the Department to ask that the law be enforced and the army respected.







Vol.	High	Low	Last	Ch.
IBM	124 1/2	124 1/4	124 1/2	+1/4
AT&T	42 1/2	42 1/4	42 1/2	+1/4
Amgen	42 1/2	42 1/4	42 1/2	+1/4
Amgen	42 1/2	42 1/4	42 1/2	+1/4
Amgen	42 1/2	42 1/4	42 1/2	+1/4

NYSE 3 p.m. volume	131,222,000
NYSE adv. corp. close	15,162,270
Amer. 3 p.m. volume	1,342,000
Amer. adv. corp. close	122,844,000

Previous	Close	Today
Composite	144.8	144.8
Industrials	137.17	137.17
Utilities	122.2	122.2
Finance	152.3	152.3

Wednesdays  
**NYSE**  
Closing  
Via The Associated Press

Class	Prvt.
Advanced	2,250
Declined	1,200
Unchanged	1,200
Total Issues	4,650
New Lists	0

Previous	Close	Today
Composite	474.4	474.4
Industrials	347.3	347.3
Finance	544.8	544.8
Utilities	344.1	344.1
Biotech	344.1	344.1
Transp.	344.1	344.1

Vol.	High	Low	Last	Ch.
Wend	124 1/2	124 1/4	124 1/2	+1/4
Amgen	42 1/2	42 1/4	42 1/2	+1/4
Amgen	42 1/2	42 1/4	42 1/2	+1/4
Amgen	42 1/2	42 1/4	42 1/2	+1/4

Class	Prvt.
Advanced	1,100
Declined	1,100
Unchanged	1,100
Total Issues	3,300
New Lists	0

Class	Prvt.
Advanced	2,250
Declined	1,200
Unchanged	1,200
Total Issues	4,650
New Lists	0

Month	Buy	Sell	'85/86
July	2,250	2,250	2,250
June	2,250	2,250	2,250
May	2,250	2,250	2,250
April	2,250	2,250	2,250
March	2,250	2,250	2,250
February	2,250	2,250	2,250
January	2,250	2,250	2,250

Index	High	Low	Last	Ch.
Indus.	195.51	192.67	195.51	+2.84
Transp.	172.25	170.23	172.25	+2.02
Comp.	72.23	71.23	72.23	+1.00

Index	High	Low	Last	Ch.
Industrials	231.4	229.5	231.4	+1.9
Utilities	117.7	117.0	117.7	+0.7
Composite	252.4	250.5	252.4	+1.9

Class	Prvt.
Advanced	1,100
Declined	1,100
Unchanged	1,100
Total Issues	3,300
New Lists	0

Index	High	Low	Last	Ch.
Wend	124 1/2	124 1/4	124 1/2	+1/4
Amgen	42 1/2	42 1/4	42 1/2	+1/4
Amgen	42 1/2	42 1/4	42 1/2	+1/4
Amgen	42 1/2	42 1/4	42 1/2	+1/4

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

# NYSE Gaining, Trading Active

**United Press International**  
NEW YORK — The New York Stock Exchange was holding modest gains late Wednesday, a day after the Dow Jones industrial average's first close above 1,900. Trading was active. The Dow was up 3.24 to 1,906.78 at 3 P.M. Advances led declines by an 8-7 ratio an hour before the close.

Volume was about 121.22 million shares, compared with 122.46 million in the same period Tuesday.

Stocks recovered from an early round of profit-taking and began moving higher at mid-morning. But some analysts cautioned that the new levels make the market even more susceptible to selling.

Monte Gordon, research director at Dreyfus Corp., said the market was behaving more like a financial phenomenon — driven, for instance, by the availability of cash — and less like a reflection of economic reality.

"Sooner or later the market will look over its shoulder to see what the economy is doing to justify these prices," Mr. Gordon said.

The Dow may climb to 2,000, he said, but with the economy precariously balanced near recession, the higher prices, he said, are more vulnerable to selling.

Peter Friemus of Drexel Burnham Lambert said the market's advance so far this week probably would not be sustainable after the holiday. Problem areas for the market include the widening U.S. trade deficit, the impact of the new tax program on corporations and the effect of sliding oil prices on depressed economies in the United States and abroad, he said.

Prospects for slack corporate earnings could keep the market drifting for five or six weeks after the holiday, he said, and investors also expect the Federal Reserve Board to cut the discount rate.

"If there is no discount-rate cut, there absolutely will be a sell-off," he contended.

Illinois Power was the most active NYSE-listed issue, off slightly.

Aetna Life was ahead in active trading. Associated Dry Goods was up a bit. It has rejected both takeover offers from May Department Stores. May is offering a \$60-a-share hostile takeover offer and has proposed a \$66-a-share stock swap.

Union Carbide was gaining. It has been rising since Monday when it said it had completed the \$1.4-billion sale of virtually all its worldwide battery products businesses to Ralston Purina. Ralston Purina was also up.

## To Our Readers

Because of transmission problems with Agence France-Presse, world stock market listings are not available in this edition. We apologize for the inconvenience.

12 Month High	Low	Stock	Div.	Yld.	PE	52-Week High	Low	Close	Change
124 1/2	124 1/4	IBM			15.5	124 1/2	124 1/4	124 1/2	+1/4
42 1/2	42 1/4	AT&T			5.5	42 1/2	42 1/4	42 1/2	+1/4
42 1/2	42 1/4	Amgen			12.5	42 1/2	42 1/4	42 1/2	+1/4
42 1/2	42 1/4	Amgen			12.5	42 1/2	42 1/4	42 1/2	+1/4
42 1/2	42 1/4	Amgen			12.5	42 1/2	42 1/4	42 1/2	+1/4

12 Month High	Low	Stock	Div.	Yld.	PE	52-Week High	Low	Close	Change
195.51	192.67	Indus.			12.5	195.51	192.67	195.51	+2.84
172.25	170.23	Transp.			10.5	172.25	170.23	172.25	+2.02
72.23	71.23	Comp.			15.5	72.23	71.23	72.23	+1.00

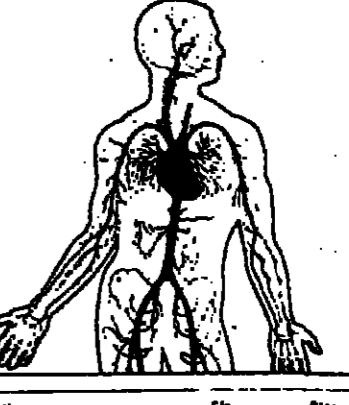
12 Month High	Low	Stock	Div.	Yld.	PE	52-Week High	Low	Close	Change
231.4	229.5	Industrials			12.5	231.4	229.5	231.4	+1.9
117.7	117.0	Utilities			10.5	117.7	117.0	117.7	+0.7
252.4	250.5	Composite			12.5	252.4	250.5	252.4	+1.9

12 Month High	Low	Stock	Div.	Yld.	PE	52-Week High	Low	Close	Change
124 1/2	124 1/4	Wend			15.5	124 1/2	124 1/4	124 1/2	+1/4
42 1/2	42 1/4	Amgen			12.5	42 1/2	42 1/4	42 1/2	+1/4
42 1/2	42 1/4	Amgen			12.5	42 1/2	42 1/4	42 1/2	+1/4

12 Month High	Low	Stock	Div.	Yld.	PE	52-Week High	Low	Close	Change
124 1/2	124 1/4	Wend			15.5	124 1/2	124 1/4	124 1/2	+1/4
42 1/2	42 1/4	Amgen			12.5	42 1/2	42 1/4	42 1/2	+1/4
42 1/2	42 1/4	Amgen			12.5	42 1/2	42 1/4	42 1/2	+1/4

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12 Month High	Low	Stock	Div.	Yld.	PE	52-Week High	Low	Close	Change
124 1/2	124 1/4	Wend			15.5	124 1/2	124 1/4	124 1/2	+1/4
42 1/2	42 1/4	Amgen			12.5	42 1/2	42 1/4	42 1/2	+1/4
42 1/2	42 1/4	Amgen			12.5	42 1/2	42 1/4	42 1/2	+1/4



# BANKING AND FINANCE IN LUXEMBOURG

A SPECIAL REPORT — PART II

Part I Appeared In Yesterday's Edition.

THURSDAY, JULY 3, 1986

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## Electronic 'Bridge' Between Rivals Aids Euromarket Sales

By Vivian Lewis

LUXEMBOURG — When veteran international bond dealers get together for conventions and seminars, they like to trade stories about the Eurobond market clearing problems. One of the old-timers, Stanley Ross, in an article for "The story of the Eurobond Market," is how "there was a time in the 1960s when the market nearly died. This was not because the borrowers' need for funds had dried up; rather, the market ran slipping into the New York paperwork muck."

Since the Eurobond market had grown up as a sort of extension of New York foreign-dollar market, deliveries of bonds and payment for them — particularly when a borrower was an American firm — also took place in New York. Secondary market operations so had to be cleared there.

Not only were all procedures manually in those days before computers but, in the midst of a boom, Wall Street was already suffering from a backlog crisis.

Mr. Ross wrote about how he got down to the vaults of a broker's bank in New York to sort out the Eurobond files of older, Peabody, where he was employed, only to rub into "a burgundy-chewing, open-necked, wrist-sleeved individual with the wretched battery (of pens) across his chest pocket" who dumped "a sty looking manila folder on the desk." In it, Mr. Ross found his separate telexes with delivery instructions from London cut into strips.

In the next cubbyhole to Mr. Ross sat Wolfgang Kron of Deutsche Bank trying to sort out another set of paper strips. He had already been at it for six weeks. In that time Mr. Kron had managed to turn a claimed \$7-million bit into a \$21-million credit.

Mr. Ross spent eight months sorting out the Kidder accounts. Although European banks paid on the value date for the bonds, it was often as much as two years before they were credited. In the interval, they and their customers were not paid interest.

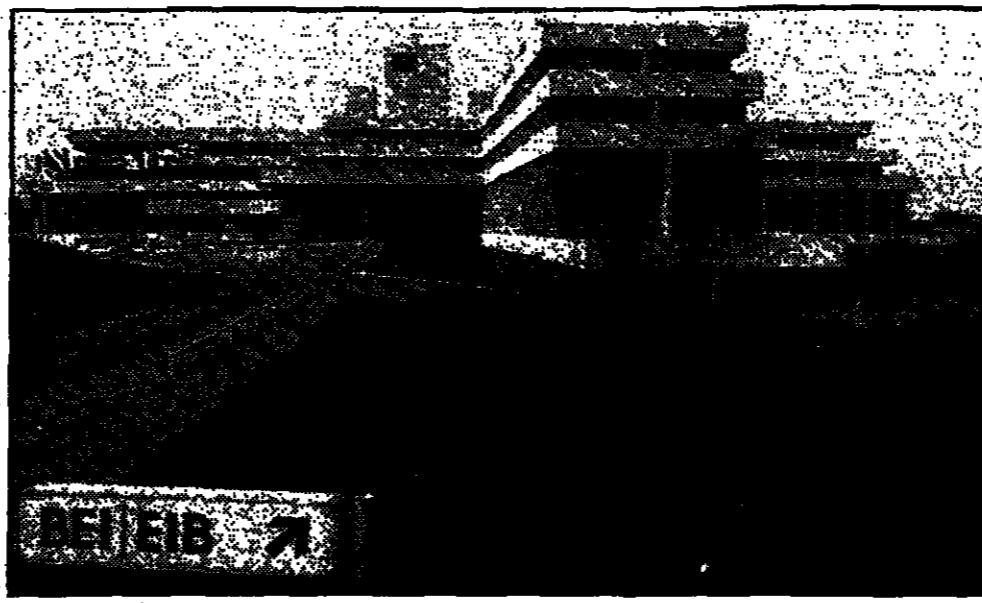
It was against this background of a massive paperwork crisis that work was begun on creating an autonomous clearing system for the Euromarkets.

But instead of a single solution, the Euromarkets wound up with two. In December 1968, Euroclear was set up under the aegis of Morgan Guaranty Trust Company in Brussels; the rival Cedel, or Centrale de Livraison de Valeurs Mobilières, was set up in Luxembourg in September 1970.

Since 1980 the two systems have

**The rise of new instruments and the increasingly global Euromarket, which operates 24 hours a day, have created new settlement problems.**

been linked by an electronic "bridge" that enables a buyer from one clearing system to pay and take delivery of bonds from a seller in the other. But a substantial rise in the overall number of bridge transactions and chain transactions, in which the proceeds from one sale trigger another purchase, along with arbitrage, have led to prob-



The European Investment Bank, which handles financing for the European Community.

lems with the link, which takes place once a day.

The difficulties are greatest for Cedel, which normally does same-day settlement, while Euroclear's norm is for next-day settlement. The delay distorts Cedel value dates, ties up securities unnecessarily, leads to extra borrowing and sometimes breaks down completely.

This situation Cedel's managing director, Georges Muller, calls "obsolescence," particularly for the now-volatile bond market.

To resolve the difficulty, the two systems have negotiated an outline agreement for multiproducting, to exchange files several times during a day, rather than just once. There would have to be a series of agreed-upon deadlines for multiple exchanges between the two networks. This is still being negotiated.

Rivalry between the two Euro-market clearing systems is an old story. Users have tended to benefit from the competition, which has led to cost-cutting fee structures both at Luxembourg's Cedel and at Brussels's Euroclear.

Although there are still hitches, the two systems operate the electronic bridge that enables a bank member of one system to buy or

sell bonds to another bank in the other system.

But the rise of new instruments and the increasingly global Euro-market, which operates 24 hours a day, have created new settlement problems. And new entrants are challenging both Euroclear and Cedel for part of their monopoly in clearing Euro-market paper.

While market participants claim that they benefit from the existence of two systems clearing payment for and delivery of Eurobonds and other instruments, delays in transactions over the electronic bridge already cost money. And banks are not so sure how things will work out where there are five clearers instead of two.

Most large operators on the Euro-markets, in fact, already belong to both Cedel and Euroclear precisely because the bridge is inadequate.

But now they must decide if they want to work through First Chicago, Citibank and Chase in London as well.

For Eurocommercial paper, short-term Euronotes and Eurocertificates of deposit, there are now five alternative clearing centers. Each has its own processing times and its own rules on when instructions must be received; each has its

own rules on whether the short-term paper is physically delivered and its own rules on financing.

And while four of the systems have an electronic bridge, the link is far more cumbersome than that between Cedel and Euroclear. Citibank and Chase are linked to Cedel, which has a bridge to Euroclear. The fourth clearing system, First Chicago's, is isolated.

The reason the Euroclear clearing business has become so fragmented is because American banks that had developed domestic clearing operations for short-term bearer instruments — certificates of deposit in particular — found it relatively easy and cheap to offer the same service in London, for the Euroclear market. They build on their capacity to act as London depository and U.S. dollar cash correspondent, linking London, where the paper is created, and New York, where payment is made.

Both processing systems have problems with the relatively short-term instruments they are now trying to handle. Euroclear's system does overnight processing of Eurobond clearing transactions, for which it now charges no fees. It makes its money by charging par-

(Continued on Page 12)

## Financial Sector Buoyant Despite Dip in Economy

By Giles Merritt

LUXEMBOURG — Luxembourg has matured as an international financial center. Gone are the dizzy days when it was the fastest growing of the world's "off-shore" markets. Today, Luxembourg has settled into a much more even rhythm of growth and to a more realistic view of its own role.

"We can't claim to be a really glamorous center," said Marc-Hubert Henry of the Kredietbank Luxembourg, "but Luxembourg does have very sound administrative and fiscal strengths. Although we can't compete with London, for instance, as a creative financing center or as a market-



Jacques Poos



Jacques Santer

place, we do offer a first-class environment in which funds can be managed and traded."

If the Luxembourg banking sector's growth is less spectacular than it once was, it is nevertheless impressively solid. Last year saw a real increase in the size of the Luxembourg banks' total balance sheets of 13.4 percent over 1984, although in dollar terms the rise was only 4.1 percent because of the sharp fall in the value of dollar.

Looked at in the context of the last 20 years, however, the slowdown in Luxembourg's expansion is clear. During the 15 years to 1980, the assets held by banks in Luxembourg grew exactly one hundredfold to \$100 billion. By the end of 1985, they had advanced to \$146 billion.

By the same token, the number of foreign banks that during the heydays of the 1970s flocked to Luxembourg to take advantage of its new status as a hub of the Euro-market has also slowed. The flow is still far from a trickle, with one big Japanese bank and two Italian banks at present awaiting approval from the Luxembourg Monetary Institute, but it is also far from being a rush.

Last year six new financial institutions set up in the Grand Duchy, including Prudential Bache, Sum-

itomo Bank and France's Banque Nationale Populaire. But there were also three defections by banks, bringing the total number of banks to 118.

On the whole, Luxembourg authorities are quietly satisfied with the way the financial sector has continued to develop during a period when the overall world economic climate has been generally poor. The last few years have also seen considerable structural changes in the international financial markets, and particularly in the Eurocredits and Eurobond markets that have been crucially important to Luxembourg.

Yet for all these changes, the performance of the financial sector has flourished sufficiently to take up the slack within the Luxembourg economy from such other traditional activities as steelmaking.

The giant Arbed steel company, which at the start of the 1970s accounted for 27 percent of Luxembourg's gross domestic product, has been bumbled by years of crisis in the industry, but fortunately for Luxembourg's 365,000 inhabitants the influx of foreign banks has helped compensate for that slide.

Arbed today employs about half

the peak work force it once had of 25,000 people and contributes only 11 percent of GDP.

It is not the only casualty in Luxembourg of industrial transformation and restructuring, for industry as a whole now represents only about a quarter of the GDP, as against 43 percent in 1970.

Jacques F. Poos, the treasury minister, reckons that the financial sector "is large, with its ancillary services such as dealers, brokers, lawyers, auditors etc., today employs nearly as many persons as the steel sector or the government, which is to say some 13,000 to 15,000 employees."

He calculated that over the past 15 years the GDP share of the banks and insurance companies in Luxembourg has gone from a modest 4.5 percent to 13 percent, while the financial sector's large surplus on current account has also compensated for the country's structural trade deficit caused by Arbed's slashed exports.

The banks, Monetary Institute experts say, are by far the largest taxpayers and currently account for 15 percent of all the state's tax receipts. With Luxembourg now fighting hard to consolidate its po-

(Continued on Page 12)

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A SPECIAL REPORT ON LUXEMBOURG

# Stock Exchange Controls Bond Market Discreetly

By Alan Tillier

LUXEMBOURG — The high decibel count of bigger stock exchanges is absent from the Luxembourg exchange situated above boutiques and next to a supermarket on the Avenue de la Porte Neuve, a pleasant shopping area in the capital.

The entrance could be that of a small, modern apartment block, but upstairs there is more action than meets the eye. Luxembourg traders do not yell like some of their neighbors, but they have cornered large sectors of the international bond market.

The atmosphere during the trading — from 10:45 A.M. to 1:15 P.M., with Frankfurt generally setting the trend — is businesslike, even discreet, with traders sitting around two conference-style tables.

On a normal morning there are 20 to 30 people, most of them around the "corbeille" or trading post, handling bonds denominated in ECUs, the European currency unit, Luxembourg francs and American dollars. The other post is for securities in 20 other currencies, something of a world record.

This functional room is one of the decisive exchanges of the Eurobond market; it is also the exchange for issues denominated in the ECU.

The Luxembourg exchange dates back to 1929, and one idea at the time was the quotation of the holding companies being established then. It was an international market from the beginning for Luxembourg is too small to have a mainly local exchange. After World War II, Luxembourg's influential role in

European community affairs provided fertile ground for the growth of the Eurobond market.

Jean Meyer, deputy director of the Banque Générale du Luxembourg and head of the Stock Exchange Commission, said: "The success story took off at the beginning of the 1960s with the birth of the Eurobond market, and our extraordinary growth since has been parallel to the explosion of activity of that market."

"As the banking system here blossomed into a truly international center at the end of that decade with the Eurobanks arrival, the stock exchange became one of the main pillars in this financial center in the making."

The first international Eurobond, the 5.5-percent, five million units of account for Sacor (Portugal), was listed on the exchange in 1962.

Less than 20 years later came the first issue denominated in ECUs, now the third most widely used unit of the Eurobond market after the dollar and the Deutsche mark and one of the most important, sometimes the most important, issuing instrument in Luxembourg. For example, it often has the favor of the very big Japanese issuers.

The Société Anonyme de la Bourse de Luxembourg publishes a daily, 52-page official price list with quotations for more than 4,000 securities. Eurobonds account for 80 percent of the total, the balance being made up of shares — notably the Europeans, Japanese and some offshore islands — depositary receipts and, increasingly, investment funds.

Luxembourg is host to bond issues for more than 1,400 different borrowers from 50 countries. Its institutions have participated in nearly 90 percent of ECU issues since 1981, almost all of which are listed on the local exchange. The ECU, in fact, topped the list of issues in May this year with 32 percent, ahead of the U.S. dollar with 24 percent; the Luxembourg franc, 20 percent; the Canadian dollar, 6.7 percent; the Japanese yen, 4.4 percent, and the pound sterling 2.5 percent.

The exchange is constantly seeking to broaden its appeal, but most observers see the ECU capital market as the most likely and important area of growth.

The 1985 statistics for turnover in the secondary market, published by the Cedel clearing house, showed that the ECU sector with a volume of 53.7 billion is the fastest growing non-U.S. dollar source of financing in the Eurobond market.

A large part of the trading volume originates in Luxembourg, where market-makers trade on the floor and at the same time link with the worldwide professional market. They service the various placing outlets for securities, locally of considerable significance due to the presence of a large number of private and institutional investors, the more than 6,000 holding companies and the 220 mutual funds.

To overcome any lingering uncertainty about the ECU — which exists only on paper — the stock exchange undertakes to calculate the countervalue of the ECU rate in other currencies and this is written into nearly all long-term contracts.

Securities listed	1981	1982	1983	1984	1985
<b>Bonds</b>	1,471	1,606	1,791	2,390	3,098
National	74	83	91	93	97
International	1,397	1,523	1,700	2,297	3,001
<b>Stocks and Shares</b>	139	154	162	173	187
National	29	32	34	37	41
Foreign	110	122	128	136	146
<b>Investment Funds</b>	82	94	117	149	178
National	54	60	73	102	142
Foreign	28	34	44	47	36
<b>Total</b>	1,692	1,854	2,070	2,712	3,463

Luxembourg adds confidence and longevity to the ECU's other charms.

"The European spirit is most developed here," said Marcel Lamboray, director of the exchange, in explaining the Eurobond-ECU phenomenon. The ECU has been nurtured in Luxembourg through the internationalization of the banks. The "convenience" of listing on the Luxembourg exchange and the advantages for multinational groups of using Luxembourg-based holding companies as vehicles for new issues have helped strengthen the Grand Duchy's role in the giant worldwide Eurobond market.

About 3,500 bonds are quoted at the quiet, efficient Luxembourg exchange and fill 38 pages of the daily bulletin. There were 951 new bond issues last year and more than 650 so far this year.

Trading volume last year rose 19 percent to reach 15.76 billion Luxembourg francs. Activity was strong in Luxembourg stocks such as Arbed, the major steel group now on the mend, and the big Lux-

embourg banks, Belgo-Mineira, leading West German stocks such as Deutsche Bank and Hoechst, venture capital companies and about 50 Japanese companies. In addition, there is now heavier trading in investment funds — 193 Luxembourg and 33 foreign — with Robeco the most active.

Exchange officials answer criticism that Luxembourg is a "simple listing board" because of the relatively small number of securities by pointing to their role of serving the private investor.

"The private investor can find the best conditions here for his 5 to 10,000 dollars or his ECUs," said Michel Maquill, the exchange's deputy director.

Mr. Meyer added: "The private investor, and not just the Belgian dentist from the past, is a long-term economic reality for us. He is a genuine source of fresh capital available for productive investment, the stable hard-core of our day-to-day business, the important 'end investor.' The Luxembourg exchange provides this market segment with an essential liquidity."

# Few Worry About French Bid To Challenge Banking Center

By Vivian Lewis

PARIS — It is a curious feature of international banking that the proliferation of new Euromarket and offshore banking centers has not yet reached saturation. Different markets continue to flourish because each has its own specialities.

The revival of Eurobusiness in New York, for example, barely caused a ripple in the volume of operations done out of London or Luxembourg.

Having survived the challenge from New York, Luxembourg is rather sanguine about the renewed pretensions of Paris to becoming an international banking center.

The French have been attracted by the idea at various times during their rocky financial history. But each time liberal-minded governments tried to get rid of restrictions that kept bankers offshore from France they were forced to reimpose them.

The most recent episode occurred after the French Socialists won the presidency in 1981. The Socialists nationalized almost all private banks and then were forced to tighten exchange controls and other regulations to defend the franc.

Now the conservative government of Prime Minister Jacques Chirac is trying to lure international banks to Paris. Almost all remaining exchange controls have been lifted. As a result, French individuals and corporations have less need of a nearby banking haven. Furthermore, international deals, which hitherto had to be done elsewhere, can now be domiciled in Paris.

The planned privatization of state-owned companies will give lots of business to investment banks, including foreign ones. The Paris Bourse is increasing its listings of international shares and bonds and mutual funds. A forward market is being created and

## Prime Minister Jacques Chirac is trying to lure international banks to Paris.

new instruments, like commercial paper and mortgage securities, have been introduced.

A clearing system for interbank money market operations in the ECU currency is also being located in Paris.

Yet, it is Dominique Dhombres, head of Luxembourg Cbrlii Lyonnais, whose parent bank has taken the lead in ECU business in Paris, who is most convinced that ECU bond issues will continue to be concentrated in Luxembourg.

Credit Lyonnais runs mutual funds out of the Grand Duchy denominated in ECUs as well as Luxembourg francs.

If it were not for the continued expansion of Euromarket innovation, the ambitions of Paris might be worrying to rival Luxembourg. It might make the strong contingent of French banks in Luxembourg — which have been in the Grand Duchy the longest — think about moving home to France.

The real situation is summed up by the head of Paribas in Luxembourg, whose parent French bank was hurt by the Socialist's policies. Part of Paribas's international network was dismantled to keep it from state control by the former chairman in Paris, Pierre Moussa.

Yet, even at Paribas Luxembourg, Jean Pierson insisted that "nationalization had no effect on the progression of our business; denationalization ditto. Whoever our future shareholder will be, he will expect us to continue to grow."

The French challenge is not causing French banks in Luxembourg to repatriate their business and staff.

"We are a Eurobank and deal with more clients from Luxembourg or Belgium than from France itself," said Xavier Delfis, the gen-

eral manager at Banque Nationale de Paris's Luxembourg branch, which also controls a Luxembourg institution, Banque Commerciale. "We do a lot of business in Euro-French francs, which by definition is offshore."

"Then, too, private clients find Luxembourg reassuring for investment, term deposits, the stock market, gold. We use Luxembourg as advisers, not Frenchmen; something even French clients prefer."

Furthermore, corporations, not only French multinationals, use BNP in Luxembourg to help them set up holding companies. The bank runs mutual funds out of the Grand Duchy. "These are our *raison d'être* for being here," Mr. Delfis said.

Although BNP is a relatively new bank in Luxembourg, Société Générale, through its Alsatian subsidiary, Sopérol, is the third oldest bank. It set up in 1893 after the Luxembourg savings bank system and the oldest commercial bank, Banque Internationale à Luxembourg (BIL).

Like BNP, SoGen controls a private bank, Société Luxembourg-geoise de Banque, to draw private banking business. Henri Lallande, the bank's general manager, emphasized that "we are not merely a Eurobank; we have a commercial banking business with Luxembourg companies and major subsidiaries of international corporations with manufacturing here, like Goodyear, Siemens, Yves Rocher."

While other French banks in Luxembourg insisted off-the-record that they did not feel it was part of their business to inquire whether a client was paying taxes to his homeland, Mr. Pierson indicated that Paribas would refuse private banking deposits from French or indeed U.S. residents.

There are said to be ambitions for expansion back in Paris from the Groupe Brussels-Lambert, controlled by Albert Frère of Belgium and Mr. Moussa's former deputy, Gérard Ekenazi. But even this rapidly growing bank group, which controls Drexel, Burnham, Lambert in New York as well as former Paribas interests in Belgium and a chunk of Paribas in Switzerland, has felt the need to get into Luxembourg banking. It did so last year by taking effective control — 43 percent — of BIL.

Another banking group that was set up as a result of Socialist policies is the Luxembourg-headquartered International Bankers Inc.

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# BIL reports significant gains in 1985

International presence strengthened

Banque Internationale à Luxembourg, the oldest and largest private commercial bank in Luxembourg, achieved significant gains in 1985.

Total assets reached Lfrs. 279.3 billion (S US 5.50 billion), an increase of 17.1% over the previous year. Cash flow rose by 14.7% to Lfrs. 3.83 billion (S US 80 million) again enabling the Bank to make substantial provisions and to boost its net profit by 23.6% as compared to 14% in 1984. Reflecting BIL's ongoing efforts to expand and refine its service potential, non-bank customer deposits grew by 12.7%.

In 1985, BIL stepped up its Eurobond market activities, managing or co-managing 195 new issues (70 in 1984). These included 17 denominated in Canadian dollars and 81 in ECU. The total volume of ECU bonds managed and co-managed by BIL was ECU 5.30 billion (S US 4.70 billion). The Bank also expanded its strong position on the secondary market, quoting daily prices for more than 200 Eurobonds.

BIL introduced 15 new investment funds in 1985, bringing to 57 the number of funds domiciliated with the Bank (total net asset value per 31.12.85 Lfrs. 187 billion (S US 3.69 billion)).

BIL strengthened significantly its asset management introducing new products for international private customers and extended these services through its affiliates and offices in New York, Lausanne, Singapore and London.

Banque Internationale à Luxembourg BIL (Asia) Ltd, a wholly-owned merchant bank in Singapore specializing in asset management and international finance, improved its balance sheet total by 19% and more than tripled its net earnings. Presence in London was enhanced by the acquisition of a bank operating now under the name of Banque Internationale à Luxembourg S.A. London Branch. In October, BIL Banque Internationale à Luxembourg (Suisse) S.A. was established in Lausanne. This new subsidiary concentrates on private banking. Also contributing to the year's good performance were the Bank's representative offices in New York and Singapore.

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	1983	1984	1985
in Lfrs. million - per 31.12.1985 - Lfrs. 100 = \$ US 1.9731			
Net profit	4,8	522	645
Distributed profit	206	260	357
Net dividend per share	Lfrs. 250	Lfrs. 280	Lfrs. 335
Cash flow*	2,885	3,339	3,827
Total assets	216,569	238,440	279,300
Loans and advances	56,934	58,392	65,129
Due from banks	120,942	128,235	149,107
Due to banks	38,736	33,443	42,825
Customer's deposits	158,335	182,744	205,875
Own resources incl. borrowed capital	6,196	6,427	9,089

\* Net profit plus allocation for depreciation and provisions after deduction of the previously released provisions

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DGZ International has been operating in the Euromarket for 15 years now, and it is recognized as one of the leading wholesale banks in Luxembourg.

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# Belgium — A Special Partnership

By Giles Merritt

LUXEMBOURG — The unaccustomed traveler coming to Luxembourg from Belgium might easily miss the frontier. The autoroute sweeps past a straggle of huts and a trailer park, but there is no striped pole or identity check. On back roads there is often no indication at all of any border.

The reason for this laxity, which is not a feature of the Grand Duchy's crossing points into France and West Germany, is that Belgium and Luxembourg have a very special relationship.

They are linked together in an economic and monetary union, and that 65-year-old pact is both a source of strength and of friction. For Luxembourg offers Belgian investors an opportunity to avoid Belgian taxes and guarantees them total confidentiality concerning their banking business.

Calling as that must often have been to Belgian governments down the years, the irritations of the Belgo-Luxembourg Economic Union (BLEU) that dates back to the end of World War I can cut both ways.

In February 1982, the Luxembourg government was outraged by Belgium's sudden and unilateral devaluation of the Belgian franc. For under the terms of the BLEU,

the Luxembourg franc is firmly linked to the Belgian currency, and their monetary union means one-to-one parity and full convertibility. A serious balance-of-payments deficit and consequent speculative raids on the franc had forced Belgium into an 8.5-percent devaluation, and Luxembourg found itself reluctantly obliged to follow suit. That episode today is forgiven

**The relationship is much more a monetary marriage of convenience than a true economic union that the BLEU name suggests.**

but not forgotten. Luxembourg lost little time in moving to upgrade into an embryo central bank the Banking Commission watchdog body that had been designed to supervise the booming financial sector. Should any further serious problems put too great a strain on the BLEU, its specially created Luxembourg Monetary Institute is ready to cut the links and float the Luxembourg franc free of the Belgian franc.

"It would be a purely defensive move," say senior officials at the institute, "brought on only by successive Belgian devaluations. The BLEU link is for the moment a

major advantage for us as we don't have to support our own currency." The importance of the link, and what amounts to having a shared currency, goes further than that. It makes it possible for Belgian authorities to accept the ambiguities of having the Luxembourg tax haven on their back doorstep. Because the Belgian franc deposits in Luxembourg of Belgian resi-

mark because West Germany is both countries' most important trading partner. But there is little in the way of shared economic policies.

Indeed, Luxembourg's interest rates are generally slightly lower than those in Belgium because it permits the market to determine the cost of money, while in Belgium leading rates are set by the National Bank to help achieve the government's economic policy targets.

The commercial relationships within banks themselves are often a good deal more delicate. The major "big three" Belgian banks are also among the biggest banks in Luxembourg, and inevitably there are gray areas concerning their customers' business dealings in Belgium and the activities of those same customers in Luxembourg.

Banque Générale de Luxembourg is part of the Société Générale de Banque group, Banque Internationale à Luxembourg is connected with Banque Bruxelles Lambert, and Kredietbank Luxembourg is controlled by the same holding company as the Kredietbank itself, which is the financial flag carrier of the Flemish business community in Belgium.

The autonomy of the big Belgian banks' Luxembourg operations, together with Luxembourg's extremely strict bank secrecy laws,

## Geographical breakdown in % of assets

Reporting banks in Luxembourg	Assets in %
Western Europe	46.6
Eastern Europe	2.5
United States and Canada	14
Latin America and the Caribbean	12.7
Middle East	5.1
Japan, Singapore, Australia, New Zealand, South Africa	12.5
Other countries	7.6

Source: Bank for International Settlements and Banque Nationale Luxembourg

ensures that there is no threat to confidentiality.

However, financial traffic between a client's Belgian account and his Luxembourg one can sometimes tax even the bankers' powers of discretion. The ticklishness of the situation is best illustrated perhaps by the fact that these leading Belgian banks often offer the same in-house investment funds to their customers on both sides of the frontier.

The difference is, of course, that a customer who elects to invest in such a fund through a Luxembourg branch of the bank does not pay the 25-percent withholding tax that is automatically levied in Belgium. What advice Belgian bankers offer their clients in such circumstances is better not to enquire into.

The Belgian-Luxembourg relationship is, however, a close and sympathetic one. The Belgian economy derives considerable indirect advantage from so thriving an international financial center, while the Luxembourgers are for their part well aware that their tiny country needs to be in partnership with a much larger neighbor.

Whenever the strains and stresses of the Belgian connection seem too much, Luxembourg no doubt recalls the origins of the BLEU. When, in 1919, Luxembourg abrogated the economic treaty that since 1848 had given it a special relationship with Germany, it turned to France. Then as now, the French showed little interest in the idea of a special relationship with the Grand Duchy.

# For Some Services, Try Liechtenstein

By Vivian Lewis

PARIS — Liechtenstein, like Luxembourg, is a tiny, mountainous country that offers a complaisant banking system. However, there are differences, and banking there has its advantages and disadvantages.

The country has three banks, all regulated by the Swiss National Bank and covered by a 1964 banking secrecy law. The largest is Bank in Liechtenstein, which is owned by a foundation of the local princely family. The others are the state-owned Liechtensteinische Landesbank, which is part of the cantonal banking system in Switzerland, and Verwaltungs- und Privat-Bank Ltd., the smallest and a publicly traded company on the Zurich Stock Market.

Banking in Vaduz, the capital of Liechtenstein, offers greater security than in Switzerland. Because the Liechtenstein banks do not have U.S. banking or broking subsidiaries, it is harder for American tax investigators to subpoena bank records as they have done to Swiss banks.

Only Bank in Liechtenstein has a U.S. offshoot, called BIL Management Inc., a fund manager located in New York. According to Ronald Krausz of the Vaduz headquarters, U.S. officials "could deliver subpoenas on banking business there, but it would not produce any effect, so they probably won't."

Because Liechtenstein is not a member of the European Community, it is not subject to pressures from regulators in Brussels that some investors worry about. Then, too, it is the only Continental country with a U.S.-style trust law. This

is useful in creating a heritage for offspring with protection and conditions.

Tax savings are more marginal. Liechtenstein bank accounts do not have to pay 35 percent in taxes on interest and dividends the way Swiss banks do. On the other hand, Liechtenstein has almost no double taxation treaties with other countries. The only exception is one with Austria that covers frontier workers. As a result, investments in the United States, for example, would be subject to a 30-percent withholding tax that the Liechtenstein bank could not recapture.

The advantage of no double taxation treaties is that there are not any international tax information sharing under "clauses on mutual legal assistance in civil matters."

Liechtenstein limited companies and the *Anstalts*, trust funds, have to pay a tax of one-tenth of 1 percent on the capital value of their holdings and a minimum of 1,000 Swiss francs (\$555). Banks, such as Bank in Liechtenstein, also charge a management fee of 0.5 percent per year on asset value.

While banks do not have any official minimum deposit requirements, in practice one must put up at least 1 million Swiss francs to get discretionary portfolio management in Liechtenstein, which tends to aim at the more affluent.

To set up a trust fund or an *Anstalt*, Liechtenstein banks provide helpful services. In general, their costs are similar to those in Switzerland, but residents like Mr. Krausz insist that "for your fees and commissions you get better quality, more personal service."

# Tax-Free Banking Services Rapidly Becoming Big Business

By Vivian Lewis

PARIS — The Swiss financial expert — who would lose his job if named — was emphatic: "Crédit Suisse was derelict in its duty when it failed to warn Ferdinand Marcos, whose account they held, that he should move his business elsewhere after new rules were imposed under U.S. pressure two years ago. My country also betrayed Duvier's trust in our bank secrecy."

"People who have moderate sums of money to bank, which was not earned by fraud, can still go to Switzerland. Otherwise," he added, "they should go elsewhere." He suggested banking in Liechtenstein. Austria or Luxembourg as an alternative to Switzerland for placing money tax-free.

Luxembourg's bank secrecy law is based on a section of the Napoleonic code which originally applied to lawyers. But early in this century, the law was extended to other professions.

"In fact, the Luxembourg bank secrecy law is based on the midwife's law," said John R. Timmel, who runs Manufacturers Hanover Luxembourg. "The theory was that in the pangs of childbirth women might reveal the name of the real father of their babies, but the midwife was not allowed to talk about what she learned."

But if bankers in Luxembourg like Mr. Timmel are not allowed by law to reveal their clients' names, they are nonetheless anxious to make sure that the money deposited is honestly come by.

Mr. Timmel said: "We don't want Mafia money, dope money, Jadhafi money. Nobody in Luxembourg does. Luxembourg banks

are going to be real careful to watch out for mousetraps. We don't want to get our names in the paper."

Many U.S. banks in Luxembourg, like Manufacturers Hanover, Bank of America, Chase Manhattan, Citibank, apply an additional provision when U.S. citizens try to open accounts. These

**'You have to have tax hells in order to have tax heavens.'**

U.S.-owned banks require that customers sign a "waiver letter" that allows the bank to open its records if asked by the U.S. Internal Revenue Service or the Securities and Exchange Commission.

It is improbable that such waiver letters could be used by bankers to protect their lifting bank secrecy in order to cooperate with U.S. investigators looking for evidence of tax or securities violation, according to Pierre Jaans, the head of Luxembourg's Monetary Institute.

In an interview, he said: "American bankers appear to be wrong in thinking that a waiver letter lets them off. While there is no jurisprudence on the matter, the banks are likely to be exposed to prosecution for violation of Luxembourg bank secrecy laws."

"Only if the holder of a secret is required to give evidence in a court of law in Luxembourg or outside it, could he petition to be released from this obligation by Luxembourg banking authorities under Luxembourg law. But at most the waiver letter amounts to a promise

by the customer that he will not sue for damages if the banker has testified in court after following these procedures."

While U.S. banks are cautious, fearing a conflict of laws, other banks will simply not accept U.S. customers. The French-owned Banque Paribas Luxembourg is very rigorous and will not open accounts for American nationals or for French.

In fact, according to Mr. Jaans, relatively modest deposits for people seeking tax-free banking appears to be the fastest growing business in Luxembourg banking. "Banks are technically prepared to handle down to 100,000 Deutsche marks in a sophisticated way and to make money doing so. They offer 'second-tier private clientele' a diversified portfolio on a standardized basis," he said. Banks will accept \$50,000 to \$250,000 as a minimum deposit.

Currently, a client might want to use such an account to evade taxes in his homeland, which is the main reason why Luxembourg bank accounts exist.

"You have to have tax hells in order to have tax heavens," said Mr. Timmel. This business attracts clients to Luxembourg from its neighbors: West Germany, Belgium, the Netherlands and France above all.

English speakers are often attracted to the Channel Islands, or the Caribbean for the same business, if only for language reasons. But after the Bahamas subsidiary Bank Leu of Switzerland opted to cooperate with U.S. authorities investigating insider trading, in violation of Bahamas' strict bank secre-

cy laws, some uncertainty has arisen.

Unlike the leading Swiss banks, those from Liechtenstein and Luxembourg (but not Banque Internationale à Luxembourg, which is owned by the same group that con-

trols Drexel, Burnham, Lambert) have no U.S. offshoots subject to subpoenas and pressures.

Under Luxembourg law, tax evasion and insider trading are not crimes, so getting an order from the Banking Commission to lift secrecy

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A SPECIAL REPORT ON LUXEMBOURG

# New Astra TV Satellite Gets Determined Backing

By Alan Tillier

LUXEMBOURG — The future Astra TV satellite, which will add 16 more channels across Western Europe from next year, was conceived by a Luxembourg banker and now has the full support of major Luxembourg banks and the government itself.

Astra is the latest confirmation of Luxembourg's determination to remain a major force in private broadcasting. This tradition goes back 50 years with Radio Luxembourg, now Compagnie Luxembourgeoise de Télédiffusion (CLT/RTL).

CLT's unsuccessful bid for a commercial channel in France — the Luxembourgers accuse the French of breaking an agreement

has not dissuaded the Grand Duchy and a new group of 11 shareholders in backing Astra, which is scheduled to be launched next May by the European rocket

Ariane.

This is a \$200-million project. The satellite, ordered from RCA at a cost of \$50 million, will be ready in February. About \$20 million is being spent on a ground station at Château de Betzdorf, the former residence of the Grand Duke. Another \$30 million is to be spent on the launch, between \$10 and \$20 million on insurance and more on the expansion of the year-old, Luxembourg-based Société Européenne des Satellites (SES).

There is enormous confidence in Luxembourg in the future of Astra. Market studies have estimated a potential audience of 50 million households against 10 million now receiving cable TV. Newcomers to

satellite TV will have to spend around 4,000 to 5,000 French francs (\$370 to \$714) on a dish-shaped antenna measuring only 85 centimeters (about a yard).

The only uncertainty among Luxembourg politicians, bankers and Astra salesmen is the reliability of Ariane after the failure of its 18th launch at the end of May.

"Once Astra is up, then we are away as Europe's first private satellite," said Marcus Bicknell, SES commercial director.

The Luxembourg "establishment" has been behind this project from the start. When CLT's long row with the French government ended in Paris, the Luxembourgers turned to the American promoter Phil Whitehead. But that project fell through on two accounts. The



Model shows chateau as a future satellite ground station.

French charged that Mr. Whitehead's "Coca-Cola culture" while the Luxembourg government decided that his financial contribution did not match his requested share of the project.

A year ago SES was set up with the backing of the Luxembourg prime minister, Jacques Santer, and the prodding of the banker, Cornelle Bruck, of the Caisse d'Épargne de l'Etat.

The other partners of the Caisse d'Épargne de l'Etat are Banque Générale du Luxembourg; Banque Internationale à Luxembourg; Compagnie Luxembourgeoise de la Dresdner Bank AG-Dresdner Bank International; Deutsche Bank Compagnie Financière Luxembourg; Electrafina, a holding of

the Société Générale de Belgique; Kinnevik International AB, a Swedish industrial consortium interested in having two channels on the satellite for Scandinavian audiences; Kirki A.S. of Denmark, the Lego toy group; Natinvest of Luxembourg; RITA, Réalisations et Investissements en Technologies Avancées and SNCI, the Luxembourg national investment bank.

SES is stressing that there are now no U.S. links. Paul Zimmer, an aide to the prime minister, said: "When the government put forward its new satellite proposal in December 1984, the idea was to find a strong European group with individual members limited to 10 percent, or half a million dollars. The investors that came forward were not media companies, but German banks and others ready to invest in hardware."

Because of this strong initial support, SES was founded three months later. Capital was raised to one billion Luxembourg francs (\$22 million) and is now being doubled. SES said it expects to announce new shareholders — British, French and Spanish — in the next few weeks.



The Chateau de Betzdorf before the start of renovation.

SES says its \$5-million-a-year fee for programmers will be half that of the French TDF-1, its main rival. It adds that the composition of clients will be clearer in six weeks. The firmest commitment is from the Scandinavian group Scansat, which wants two channels. Two other interested parties are described as non-European, non-American.

Most channels will be devoted to popular entertainment, but there will also be "thematic" ones, including some devoted to business. Two channels will be pay TV; the others will be supported by advertising.

However, it should be noted that only RAI, the Italian state broadcasting organization, makes money from satellite TV. The Luxembourg government and SES also have to prove to Eutelsat, the Paris-based, 26-nation telecommunications organization, that Astra will not hurt that body in TV distribution.

Luxembourg believes that government backing plus pressure from manufacturers of receiving equipment, the electronics industry and the programmers will help Astra off the ground.

# Financial Sector Still Buoyant

(Continued from Page 9)

sition as an international financial center, the accent is increasingly on cuts to ease the banks' tax burden and make the Grand Duchy more attractive.

Due to some rigorous financial husbandry by the government and to Arbed's improved financial performance, Luxembourg is currently showing a 10-percent surplus on its state budget. It is not clear how much of this surplus of 6 billion Luxembourg francs will be mopped up by the tax breaks being prepared, but it is plain that Luxembourg intends to reinforce its competitive position vis-à-vis both private and institutional investors with a number of new tax breaks.

Jacques Santer, 49, the president of the Luxembourg government, whose role is equivalent to that of prime minister, has indicated that the present 40-percent corporation tax should be lightened, as should such items as the subscription tax on bonds and the stamp duties.

Luxembourg has already introduced a variety of small tax changes to favor, among others, nonresidents, local subsidiaries of foreign corporations and temporarily resident personnel. It is hoped that the forthcoming new fiscal measures will help tempt to Luxembourg such business as bond issues that at present are being made in rival centers like the Netherlands Antilles or the Cayman Islands.

The final shape of the tax package should be revealed by August, and it is expected that it will then be approved by the parliament before the end of the year, in time for application in 1987.

The Luxembourg financial sector, meanwhile, is already reaping the benefits of the earlier 1983 tax reforms that established a tax-free status for mutual funds. The growth in the number of mutual funds based in Luxembourg has been a striking feature of late, with 213 funds now operating out of the Grand Duchy and 40 or more on their way.

The value of the newly arrived mutual funds is put at about 600 billion Luxembourg francs (\$11 billion) by the Monetary Institute. "Intellectually it can't really be called new business," commented

Maro-Hubert Henry of Kredietbank, "because the management of the funds is performed elsewhere. But the domiciliation of these funds is here, and their administration by Luxembourg banks now amounts to some very useful new business."

The shift that has most marked Luxembourg, though, is not the boom in mutual funds or the government's enthusiasm for more liberal tax conditions. It is the trend away from traditional syndicated Euroloans of the sort that Luxembourg has thrived on to a new generation of financing instruments.

Too much liquidity among the banks and not enough first-class sovereign or corporate borrowers

has squeezed margins and brought about the introduction of short-term negotiable facilities known variously as standby credits or backup facilities.

Much as some Luxembourg-based bankers may deplore the note issuance facilities (nifs), and revolving underwriting facilities (rufs) that are an increasingly common form of financing, they have gone from representing about a quarter of all Eurocredit business in Luxembourg during 1984 to about half of last year's \$109 billion-worth of Eurocredits.

U.S. banks pioneered these backup credits, in which a bank often undertakes to purchase a client's commercial paper, in the form of Euronotes with revolving maturities of less than a year should the markets fail to take it up. European banks, and notably the 29 West German banks that account for 42 percent of the financial assets held in Luxembourg, find that degree of risk together with the tighter margins involved in such loans frankly unattractive.

"One solution," said Helmut Gras of Dresdner Bank "is the private customer." Luxembourg-based banks are, therefore, intensifying their efforts to attract more portfolio management business.

As a result, Luxembourg is shedding the slightly transient and ephemeral image that had resulted from its mushroom development as a Eurobond center and it is instead showing signs of a more mature and permanent banking community.

# Electronic 'Bridge' Aids Sales

(Continued from Page 9)

participants fees for storage, deposit, bond-lending and finance.

And because of its night-processing tradition that goes back to the time when Euroclear used Morgan Guaranty's computers overnight, it is unable to insure that paper can be issued, paid for and traded in the same day, as short-term paper often is.

By linking up with Chase and Citibank, Cedel may have gotten

an edge on its rival. While the U.S. banks had experience with Euroclear and Eurocommercial paper and a London base where Cedel has been weak, Cedel was able to contribute its far-larger client list.

Cedel can, with a separate facility, do same-day issuing and settlement. But it is troubled by the inclination of market operators for taking physical delivery of Euro-CPs, as if they were bonds — a practice that is more developed in

Europe than in the United States.

The Brussels-based Euroclear system is the larger of the two Euroclear entrants. Operating out of modern headquarters near the medieval Sablon Church, Euroclear in 1985 settled securities worth \$1.457 trillion (a 43-percent jump) and held securities worth \$274 billion (a 50-percent rise). On this business, after related to users, the clearing company earned profits of \$9.55 million, compared to \$7.68 million in 1984.

At the edge of the Luxembourg City financial district, in a handsome turn-of-the-century town house that has been magnificently restored, Cedel has its headquarters. Next to the town house is an ultramodern computer center where the real processing work is done.

Cedel's turnover in 1985 topped \$762 billion (up 47 percent) and it held securities worth \$106 billion (a 50-percent rise). On this business it earned profits of \$2.7 million, up 41 percent.

Both systems have seen business grow even more sharply in the first quarter of this year. From an average in 1985 of 11,000 transactions per day, Cedel has moved to 15,000-plus on average in the first four months of 1986, on some days topping 20,000 trades. Bond-lending activity by Cedel doubled in the first quarter of 1986 from levels at the end of 1985 with \$250 million average daily bonds outstanding.

At Euroclear the trend is similar. In the first four months turnover was up 67 percent from 1985 to \$678 billion. The daily average number of trades rose to more than 22,000.

Morgan Guaranty tried to overcome its handicap by selling off stock in what had been its Euroclear subsidiary in 1972. But even now it is Morgan Guaranty that provides financing to those who ask for it from Euroclear.

The latest battle between the two Euroclear clearing groups concerns equities. It was with great fanfare that in April, Euroclear announced that it was extending its clearing and custodial services to cover internationally traded shares. About 100 issues, from Belgium, Germany, Sweden, Switzerland and the Netherlands that are normally traded outside their home country can be traded through the system, which also will handle other shares that are deposited in advance.

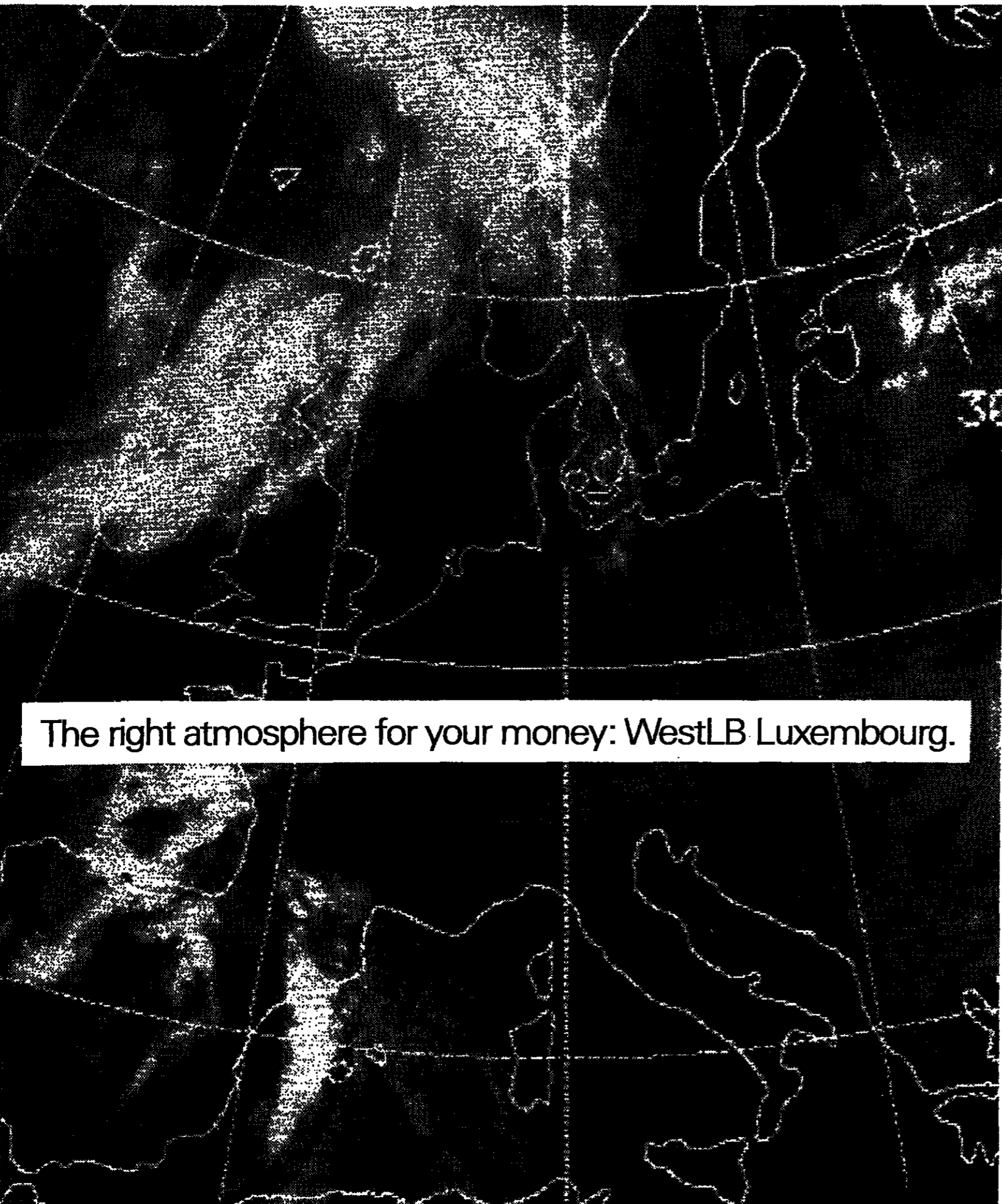
The Italian clearing system prevents Euroclear from offering to handle Milan equity clearing at this time.

Cedel has been doing equity clearing for years but hasn't made much noise about it. The equity clearing system it runs already automatically handles over 500 stocks, identified by code numbers, the result of cooperative arrangements with European stock depositories. The first dates back to a 1972 link with Deutscher Auslandskassenverein, which gives users access to any German domestic security.

Similar broad deals were made subsequently with Kas Associatie of The Netherlands, and indirectly, with the Nescig central depository, which covers all Dutch domestic securities, although they cannot be settled on a delivery-versus-payment basis and must be deposited with Cedel in advance. Cedel also can handle Swiss stocks through its link with the Swiss depository, SEGA, run by Union Bank of Switzerland.

Finally, last year Cedel opened a pilot project to link up to the French Sicovam depository system initially with three stocks. Because the French have dematerialized stock certificates so they are only book entries, there are special problems here.

As Cedel's managing director, Georges Muller, explained, "I am well aware of the problems of settling securities in Italy. I can give you no information about a possible Cedel-Italy link but we are examining the market closely."



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finance facilities, long and short-term

securities lending and borrowing service

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Sector Still Busy

Statistics Index table with columns for various market indices and their values.

U.S. Stocks Report, Page 8

WALL STREET WATCH

Stock Winners and Losers: New 2d-Quarter Surprises

NEW YORK — Makers of a wide array of consumer goods... The roster of winners and losers from April 1 to June 30 had a familiar look...

Analysts said the boom in summer-goods stocks, which is generally resistant to economic fluctuations...

While lower interest rates failed to fuel a meteoric rise in the Dow Jones industrial average...

The American Stock Exchange market-value index closed on Monday at 284.20, up 5.2 percent from 270.03 three months ago...

Despite the growing investor interest in Nasdaq issues, whose month volume exceeded the 1985 level by 53 percent...

The question in many investors' minds is "How long do we have to wait for improvement in corporate earnings?"

Analysts said that the top gainers and losers continued trends that began several quarters ago...

Even though the Dow industrial average closed above 1,900 for the first time on Tuesday, market strategists said that economic weakness will continue into the third quarter...

"My guess is that this economy just doesn't have the momentum to guarantee a strong third quarter," said John D. Connolly...

Conversely, Mr. Aronstein said: "Stocks that did poorly have an under pressure for almost three years: technology, instrumentation, semiconductors, mainframe computers..."

See MARKET, Page 17

Currency Rates

Table showing currency rates for various countries including London, Zurich, and other European centers.

Interest Rates

Table showing interest rates for various currencies and financial instruments.

Money Rates

Table showing money rates for various financial instruments and currencies.

U.S. Money Market Funds

Table showing U.S. money market funds and their performance.

Gold

Table showing gold prices and market activity.

Report Hits Voest Directors

Court Panel Cites Law Management

VIENNA — Austria's Court of Audit, in a report presented to parliament Wednesday, sharply criticized the former supervisory board of state-owned Voest-Alpine AG...

Parliament ordered the court to carry out its investigation of Voest in December after it became clear that the company, Austria's largest industrial concern, would have huge losses for 1985...

Mr. Apfalter resigned along with the rest of the Voest managing board in November after reports that Intertrading had run up losses of 4 billion schillings from speculative oil dealings...

The report said Mr. Apfalter had failed to reduce Intertrading's oil speculation activities, while telling OIAG he had done so...

But the report said Mr. Apfalter had "not observed the duties of a conscientious manager and even infringed these by arbitrarily permitting oil speculation and not keeping the supervisory board adequately informed..."

New Game Plan for Mexican Cabinet

A 'Team Player' Takes Over Talks on Debt Payment

By Alan Riding New York Times Service MEXICO CITY — Shortly before flying to Washington last week for critical talks on Mexico's latest foreign debt crisis, Gustavo Petricoli went out of his way to tell reporters that he would be presenting his government's position, not his own...



Finance Minister Gustavo Petricoli at the Federal Reserve last week with Paul A. Volcker, chairman, left.

At his first news conference a few days earlier, the 57-year-old economist had already stressed that his job in Washington was merely to carry out the financial policy defined by President Miguel de la Madrid and his so-called economic cabinet...

The seemingly obvious statements carry a hidden message: Unlike Jesus Silva Herzog, his independent-minded and flamboyant predecessor, Mexico's new finance minister will be a team player...

Mr. Petricoli, who assumed his post on June 17, when President de la Madrid replaced Mr. Silva Herzog, is at the pinnacle of a long career in Mexico's financial civil service...

Mr. Petricoli's first days beneath the ornate high ceilings of his new office in the National Palace have therefore been dedicated to re-building broken bridges to other ministries...

But if Mexico's new posture is this "firm and decisive," to use Mr. Petricoli's own words, it might be welcomed by the country's creditors because in recent months they have been struggling to understand the mixed

sentiment at his one-man show as by the economic shock felt in debt-ridden Mexico by the sudden drop in world oil prices earlier this year...

"Chucho had been acting without even consulting the president," one senior official said, referring to Mr. Silva Herzog who forged strong personal ties with international bankers and officials...

But if Mexico's new posture is this "firm and decisive," to use Mr. Petricoli's own words, it might be welcomed by the country's creditors because in recent months they have been struggling to understand the mixed

"We want to arrive there confident and secure," he said last week, at a news conference where he was pointedly accompanied by Carlos Salinas de Gortari, the powerful minister of planning and budget...

"We don't want to be improvising without a clear grasp of the government's policy; we want to do this responsibly," Mr. Petricoli said.

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UN Study Predicts World Growth of 3.5% in 1986

GENEVA — The world economy is not expected to improve significantly. The unemployment rate in a number of industrial countries, including the United States and in particular countries of Western Europe, remains stubbornly high...

Production in developing nations was expected to grow 3 percent this year and 3.5 percent in 1987, while output in industrial countries was forecast to show an increase of 3.1 and 3.3 percent over the same period...

It added that while inflation was expected to continue declining, "perhaps even to the low rates of the mid-1960s," unemployment

was not expected to improve significantly. The unemployment rate in a number of industrial countries, including the United States and in particular countries of Western Europe, remains stubbornly high...

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The survey said that lower interest rates and oil prices could mean savings of as much as \$25 billion a year in the combined import bill of energy-importing developing nations...

But it warned that a free-fall of oil prices will have a devastating effect on oil-exporting countries. A decline in the price of oil from \$18 to \$10 a barrel between 1986 and 1988 would boost industrial countries' output by 0.8 percent this year and up to 1.2 percent by 1988, it said.

At \$18 a barrel, oil exporters would see their national incomes fall by an average of 9 percent in 1986 and 9.7 percent by 1988. World trade volume would gain an additional 0.5 percent this year and 1.4 percent by 1988.

of financing, thereby increasing the attractiveness of capital investment," the survey said.

In the United States, "the slowdown is now forecast not to deteriorate to recession levels in 1986 as a result of the beneficial effects of lower interest rates, lower energy costs and a gradual improvement in export performance," it said.

The survey recommended that "persistent imbalances in the world economy, including the widening gap in living standards between richer and most of the poorer countries, cannot be tackled by national policies alone..."

Major New Gold Company Launched in Australia

By Denis Reinhardt International Herald Tribune BRISBANE, Australia — As South Africa's economy seems to be headed toward further deterioration, a major gold company being launched in Australia may challenge South Africa as the non-Communist world's premier gold producer...

Placer Pacific Ltd. registered its public prospectus of 128,574,000 of 30-cent shares at 1 Australian dollar each in Sydney on June 19.

The offering, which opens July 4, is expected to be over-subscribed by Australian investment institutions and the public, to whom share subscriptions will be initially restricted.

When trading opens on Australian exchanges in early August, a rush of foreign buyers in the new stock is expected, said one of the underwriters, Steven Wilson, of Wilson & Co., Brisbane.

Australia's gold production, already significant, is growing. Australia and nearby Papua New Guinea produced 92.7 metric tons, or 1.6 percent of the Western world's 1,212.8-ton output last year, compared with South Africa's 673 tons, or 55.5 percent, and Latin America's 162.7, or 13.4 percent.

In three years, Australasian mines are projected to match the Latin American total. However, gold stocks in Oceania

have so far proved difficult investment avenues for North American and European investors because of their relatively small capitalization.

A result of the Placer Pacific float may be the consolidation of smaller Australian gold producers. Alan Bond, the Perth entrepreneur and brewery owner, is fast assembling his own gold company, which will lay a claim to producing 1 percent of the world's gold.

The group is being built around Bond Corp. Holdings Ltd., which has stakes in Western Australia's richest mines, particularly in the desert town of Kalgoorlie, whose rich line of gold veins is known as the "golden mile."

Other Australian producers are expected to follow Placer Pacific. Bond Corp. in assembling world-ranking gold producers. At this stage, Bond Corp. does not have a stake in Placer Pacific or its parent, the Vancouver-based Placer Development Ltd.

However, Bond and the other company raiders, such as Robert Holmes & Court, may be attracted to Placer Development.

Placer Development, North America's sixth largest mining company, will hold 78.6 percent of the 600 million shares in Placer Pacific Ltd. The remaining 21.4 percent covers the 128.6 million shares on offer to Australian investors.

Placer Pacific Ltd. has been formed to "Australianize" Placer's remaining 70-percent holding in the Kidston gold mine, Australia's largest, which opened in March 1985. The other shareholders are Elders Resources, a unit of Elders IXL Ltd. Kidston produced more than 200,000 ounces (6 million grams) in its first 10 months of operation.

Placer Development had been required by Australia's Foreign Investment Review Board to sell down its foreign shareholding in Kidston to 55 percent. Australian investment rules generally require that foreign holdings in new mines not exceed 50 percent, but because Placer Development Ltd. has a substantial Australian holding, it was allowed the 55-percent holding in Kidston.

Rather than simply sell the additional 15 percent in Kidston to meet the requirement, the Canadian parent decided to expand the scale of the planned float by tying all its South Pacific properties, except oil, into one vehicle.

This move satisfied Australian authorities because the richest of these prospects are outside Australia — in Papua New Guinea, which allowed Placer to maintain a higher share in Placer Pacific and created a huge new mining company.

The formation of Placer Pacific takes Placer back to its roots in Australia and Papua New Guinea.

By 1990, Placer hopes to bring three other major gold mines into production apart from Kidston, with a total annual output of 1.4 million ounces of gold.

The most important of these will be the one-third owned Porgera Prospect in Papua New Guinea, which Placer Pacific's chief executive, Robert Needham, describes as the world's greatest postwar discovery of gold. On present estimates, it contains \$6.3 billion in gold and silver, with further reserves open to exploration.

Profit projections by the Australian joint underwriters for the offering, Wilson & Co. and McIntosh Hanson Howe Covert Ltd., are \$32 million in 1986 rising to \$70 million in 1989.

Placer Pacific will be the South See GOLD, Page 15.

Factory Orders In U.S. Declined By 0.1% in May

WASHINGTON — Orders to U.S. factories for manufactured goods fell 0.1 percent in May despite a huge increase in demand for military equipment, the government reported Wednesday.

The Commerce Department said that orders amounted to \$193 billion on a seasonally adjusted basis in May. The decline followed a 0.1-percent increase in April and a big 2.8-percent drop in March.

The decline in May would have been 1.3 percent without the strength in military equipment, the weakest showing since March. Demand for military equipment rose 36.6 percent to \$5.9 billion, reversing April's 37.8-percent decline.

But the closely watched category of nondefense capital goods inched up only 0.4 percent in May after two consecutive declines.

This category is watched for information it can give about industry plans to expand production facilities and hire more workers. Business investment has been weak all year partly because the oil and gas industry has cut back sharply on drilling plans after the sharp decline in oil prices.

Orders for durable goods, items expected to last three or more years, edged down 0.1 percent in May. This was a downward revision from an advance report last week that had said orders had risen 0.4 percent.

Orders for nondurable goods were unchanged in May at \$89.4 billion after a 1.2-percent rise the month before.

The weakness this year in orders for manufactured goods has left them 4.1 percent below the record high of \$201.2 billion set in December.

Shipments of manufactured goods fell 1.4 percent to \$193.4 billion in May. Shipments have declined in five of the past six months after reaching a record high of \$200.1 billion in November.

The decline in factory orders is further worrying evidence of the listlessness of the U.S. economy, economists said.

"Put it all together, and it's a fairly weak number," said Bernard Schoenfeld of Irving Trust Co. "We're seeing very few sparks in the economy. It's not collapsing but it's not picking up strongly either."

Stephen Slifer of Shearson Lehman took an even more pessimistic view of the data. He called them "extremely weak" and said they underscored the need for the U.S. Federal Reserve to take the lead in stimulating the world economy by cutting its discount rate.

"The longer these guys fiddle around and don't do anything, the longer I worry about dumping the world into a recession," Mr. Slifer said.

He cited in particular the 1.4-percent drop in manufacturers' shipments. "Sales are dropping like a rock," he said. (AP, Reuters)

Bonn Again Rejects Pressure To Lead Economic Expansion

By Douglas Hamilton Reuters BONN — Finance Minister Gerhard Stoltenberg said Wednesday that West Germany would continue to resist foreign pressure to lead economic expansion and that Bonn's critics should emulate its successful deficit-cutting policies.

"Our financial policy has followed a straight and reliable course since the end of 1982 and we will stick to this course," Mr. Stoltenberg said at a news conference on the 1987 budget.

His draft budget, holding the rise in federal spending to 2.9 percent, was adopted by the cabinet on Tuesday with no significant alterations. Foreign governments contend that higher federal spending would stimulate growth in Germany and elsewhere, but Bonn fears it would revive inflation, a politically risky situation.

"It would not help other countries if we were to increase our indebtedness in the interests of a short-lived economic boom," Mr. Stoltenberg added.

West Germany's spectacular 1986 trade surpluses and its achievement of an inflation rate below zero have prompted demands, notably from Washington, that Bonn now cut interest rates and boost state spending to help its trading partners.

In a barb evidently aimed at the United States, Mr. Stoltenberg said West Germany — Europe's biggest and healthiest economy — had "a vital interest in seeing Western industrialized countries with still fact too high budget deficits" make "a contribution to the lowering of world economic risks."

By comparison, he said, Bonn's deficit-cutting, inflation-beating policies had relieved the burden on capital markets and provided conditions for lasting growth.

"This course has proved itself successful. Public borrowing has been more than halved. The economy is in a steady, self-sustaining upswing," Mr. Stoltenberg said. The government has projected 3-percent growth for 1986 and 1987.

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Bridge Aids

EL aring m y the ional lies ats

Markets Closed All New York commodity markets will be closed Thursday because of July 4th Liberty Weekend celebration in New York City, but the New York and American stock exchanges will be open. All U.S. markets and



# Wednesday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

(Continued)

12 Month High	Low	Stock	Div. Yld. PE	52 Week High	Low	Close	Change
12 1/2	11 1/2	IBM	4.2 15	125 1/4	115 1/4	120 1/4	+5 1/4
12 1/2	11 1/2	AT&T	5.2 12	48 1/4	44 1/4	46 1/4	+2 1/4
12 1/2	11 1/2	GE	4.2 15	38 1/4	34 1/4	36 1/4	+2 1/4
12 1/2	11 1/2	Westinghouse	4.2 15	38 1/4	34 1/4	36 1/4	+2 1/4
12 1/2	11 1/2	Rockwell	4.2 15	38 1/4	34 1/4	36 1/4	+2 1/4
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## U.S. Futures

Via The Associated Press

July 2

Season High Season Low

Open High Low Close

Change

Grains

WHEAT (CBT)

1980-81 contract per bushel

1981-82 contract per bushel

1982-83 contract per bushel

1983-84 contract per bushel

1984-85 contract per bushel

1985-86 contract per bushel

1986-87 contract per bushel

1987-88 contract per bushel

1988-89 contract per bushel

1989-90 contract per bushel

1990-91 contract per bushel

1991-92 contract per bushel

1992-93 contract per bushel

1993-94 contract per bushel

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2003-04 contract per bushel

2004-05 contract per bushel

2005-06 contract per bushel

2006-07 contract per bushel

2007-08 contract per bushel

2008-09 contract per bushel

2009-10 contract per bushel

2010-11 contract per bushel

2011-12 contract per bushel

2012-13 contract per bushel

2013-14 contract per bushel

2014-15 contract per bushel

2015-16 contract per bushel

2016-17 contract per bushel

2017-18 contract per bushel

2018-19 contract per bushel

2019-20 contract per bushel

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2060-61 contract per bushel

2061-62 contract per bushel

2062-63 contract per bushel

## Food

July 2

Season High Season Low

Open High Low Close

Change

COFFEE (NYBOT)

1980-81 contract per cwt

1981-82 contract per cwt

1982-83 contract per cwt

1983-84 contract per cwt

1984-85 contract per cwt

1985-86 contract per cwt

1986-87 contract per cwt

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2005-06 contract per cwt

2006-07 contract per cwt

2007-08 contract per cwt

2008-09 contract per cwt



BUSINESS ROUNDUP

J.S. Steel Plans Major Restructuring

By James Risen
Los Angeles Times Service
DETROIT — U.S. Steel Corp. of the oldest and most visible companies in American industry...

that the overhaul, likely to be announced later this month, is not intended to spin off the company's troubled steel operations to shareholders or management.

Dixons Gets Only 35.6% Of Woolworth's Shares

LONDON — Dixons Group PLC said Wednesday that its £1.45-billion (\$2.2-billion) bid for Woolworth Holdings PLC has lapsed after acceptances reached only 35.6 percent...

Daimler Reports 22.8% Sales Rise

STUTTGART, West Germany — Daimler-Benz AG's group sales rose 22.8 percent in the first six months of the year, mainly because of major acquisitions...

Prices Steady Or Up A Little At the Close

Dollar Firm Despite Economic Data

LONDON — The dollar finished slightly firmer in European trading Wednesday, and dealers said they expected little movement...

London Dollar Rates

Table with columns for Currency, Unit, and Rate. Includes Deutsche mark, Swiss franc, French franc, and British pound.

Edged up to 2,187.0 DM from 2,183.0 on Tuesday's close.

In other markets, meanwhile, the dollar was fixed in Frankfurt at 2.1855 DM, up from 2.1829, and in Paris at 6.9750 French francs...

OLD: Major New Company Launched in Australia Set for Promising Start

Placer's record in bringing on stream the Kidston mine in Queensland is already promising. After 16 months of operations, the Kidston mine has paid three dividends to its shareholders...

annual output of 180,000 ounces, Placer will be the real jewel, when its projected first crushing begins six months later.

Exploration of Placer began in 1975, when Placer teamed up with equal partners, Mount Isa Mines Ltd., an Asarco affiliate, and Reson Goldfields Consolidated, both major Australian mining companies.

Placer executives say that development costs of the three new mines will be financed from earnings from the Kidston mine.

McDonnell Helicopter Names Asia Manager

LONDON — McDonnell Douglas Helicopter Co. has appointed William R. Ringer to the new position of South Asia Pacific marketing manager, continuing the expansion of its marketing efforts in the region.

Business People

International fixed-income capital markets. He will be responsible for the continued development and expansion of the firm's institutional fixed-income sales trading and syndication in Europe and the Far East.

EXICO: A 'Team Player' Takes Over Negotiations on Debt Repayment

head of the IMF. Nor is he known to harbor presidential ambitions. But he is considered simpatico by friends and by those who have worked for him.

The challenge he faces, however, is no different from that which, in part, vanquished his predecessor: With persuasion his principal weapon, he must negotiate a "third way" between full servicing of Mexico's \$97-billion foreign debt and the declaration of a unilateral moratorium on payments.

Mr. Petricoli began his professional life in 1948, when he was 20, at the Bank of Mexico, the nation's central bank and a traditional stronghold of monetarist views.

Initially, foreign banking and local business circles reacted with concern, since they were uncertain whether Mr. Silva Herzog's dismissal signaled a hardening of Mexico's debt posture.

EMPLOYMENT POSITIONS WANTED

AMERICAN WOMAN, HARVARD B.A. magna, Political Science, 1982. Yale University, 1982. speaks French, Spanish, Italian, German, Russian, Hindi, Urdu, etc. Tel: 424-7611.

INTERNATIONAL CLASSIFIED

(Continued From Back Page)

EMPLOYMENT POSITIONS WANTED

AMERICAN WOMAN, HARVARD B.A. magna, Political Science, 1982. Yale University, 1982. speaks French, Spanish, Italian, German, Russian, Hindi, Urdu, etc. Tel: 424-7611.

EMPLOYMENT POSITIONS WANTED

ENTHUSIASTIC SERIOUS young man with diploma in bookbinding, hotel management, and computer. Good cook, bootmaker, or any other related work. Tel: Paris 45 27 11 72.

EMPLOYMENT POSITIONS WANTED

MINERVE SEES FOR AMERICAN FR in PARIS. English, Belgian, Dutch or French speaking, knowledge of French required. Write or phone: 138 Avenue de la République, Paris, France. Tel: (1) 47 27 81.

EMPLOYMENT POSITIONS WANTED

INTL ORGANIZATION seeks bilingual secretary, English mother tongue, fluent in French. Proven experience in international office. Good working papers required. Gross salary 7,100 + benefits. Permanent position. Immediate. Tel: Paris 45 68 28 44.

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 2 July 1986

Table with columns for Fund Name, Symbol, and Price. Lists various international funds such as Fidelity International, Vanguard International, etc.

LOW COST FLIGHTS

Multiple classified advertisements for travel services, including Transco, Transcar, and various travel agencies offering flights and tours.



Wednesday's AMEX Closing

Table of stock market data including AMEX closing prices, Dow Jones Industrial Average, and various international stock indices.

Floating-Rate Notes

Table of floating-rate notes with columns for currency, issuer, and interest rate.

INTERNATIONAL POSITIONS

Coopers & Lybrand - defined mechanism, operational procedures. Associates Europe, a dynamic element of one of the world's largest management consultancies...

Coopers & Lybrand

ORGANISATION DE COOPERATION ET DE DEVELOPPEMENT ECONOMIQUES PARIS. CONSEILLER JURIDIQUE (Grade A5). Le titulaire de ce poste sera l'adjoint direct du Chef de la Direction juridique...

DIRECTOR European Offset Operations (to be based in Brussels). Major U.S. diversified manufacturer seeks individual to take charge of the CORPORATION'S OFFSET ACTIVITIES in Europe.

ABU DHABI NATIONAL OIL COMPANY. ADNOC is one of the major oil companies in the Middle East controlling the Exploration, Production and Processing of Oil, Gas and Associated Products in Abu Dhabi.

SYSTEMS ENGINEER who will primarily be responsible for: Implementation, Maintenance and Tuning of the MSV/SV services; Provision of technical guidance to users on MSV/SP utilities.

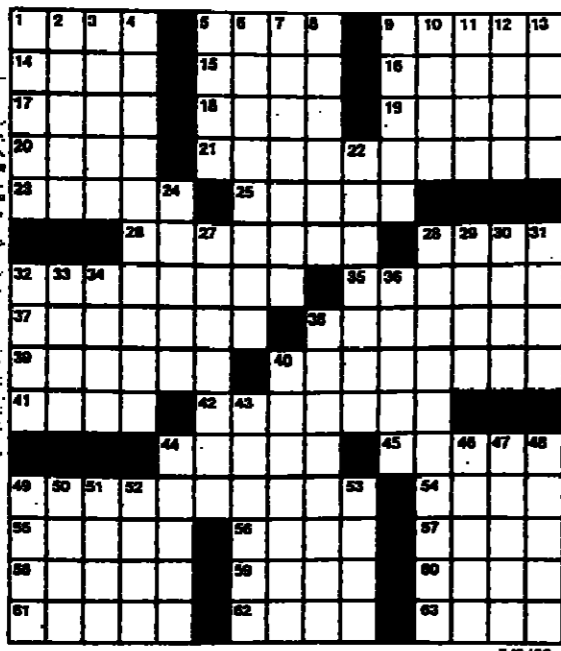
FUEL TRADER WANTED by established company with first class reputation location: major city in the Benelux should have at least 5 years experience in selling/buying solid fuels and/or liquids.

ADVERTISEMENT DIRECTOR ASIA/PACIFIC REGION FOR SOUTH MAGAZINE. South magazine wishes to appoint an Advertisement Sales Director for the Asia-Pacific region to be based in Singapore.









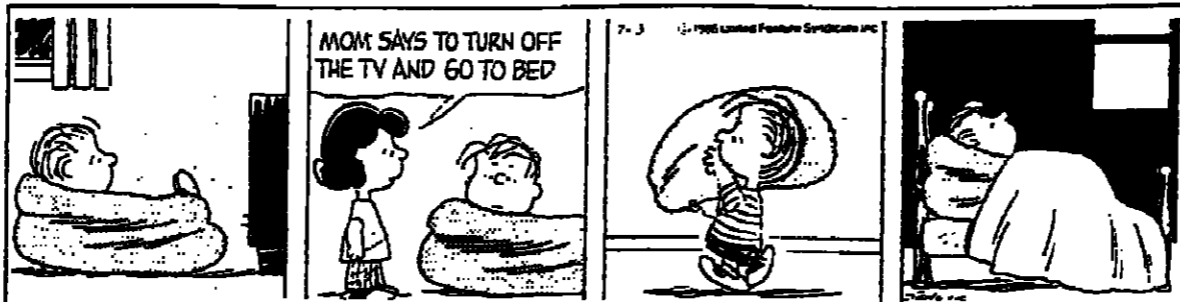
ACROSS

- 1 Dogie
2 Soccer great
3 Large structure for racing
4 Concrete
5 Hatchets
6 He has the life!
7 "Artaxerxes" composer
8 Chit attachment
9 Marble
10 Glassy mineral
11 Bizarre results, sometimes
12 Appears
13 Tree or nut
14 Dresses
15 Unfair
16 "of Fire"
17 Well-groomed
18 Uprais
19 Dances or jackets
20 Check
21 Owning no property
22 Mangia, e.g.
23 Rising above a surface
24 Special skill
25 ESP pioneer
26 Highly evolved plants

DOWN

- 1 Studies hard and late
2 Alpine nest
3 Catcher
4 Outdoor bazaar
5 Agreement
6 Shows at a fair
7 Directors
8 Possessions
9 Talk like a Southern belle
10 Baltic port
11 Patron saint of Norway
12 Distribute
13 "Bette Davis" 1981 hit song
22 Course of instruction
24 Hampshire's homes
27 Wobbles
28 Sports building
29 Bughar
30 Ones, in Ore
31 "is more"
32 Kind of grass or spider
33 Coney's kin
34 Farm unit
36 More experienced
38 Peter Minuit was one
40 Omitted
43 Balzac's "Corradino"
44 These are easy to catch
46 Lazy bones
47 Nursemaids in Nothingham
48 Buoy up
49 Tinge
50 Indian of Nebraska
51 Brewing grain
52 Etoile's knee bend
53 Like some points

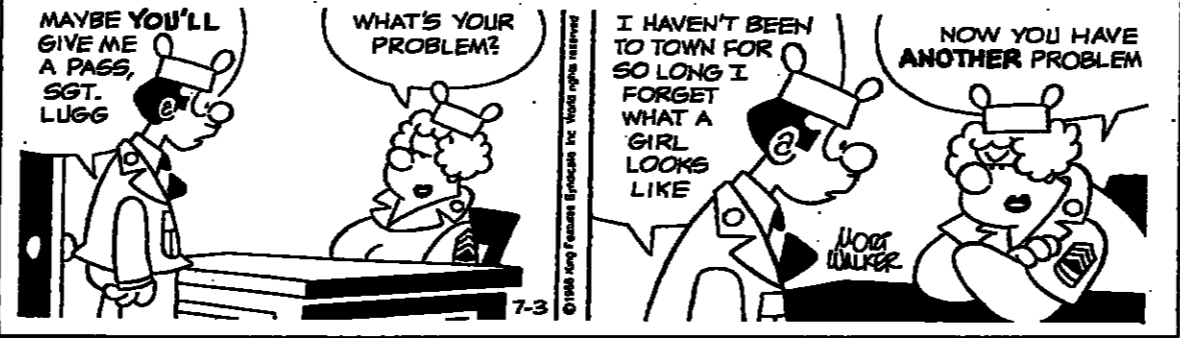
PEANUTS



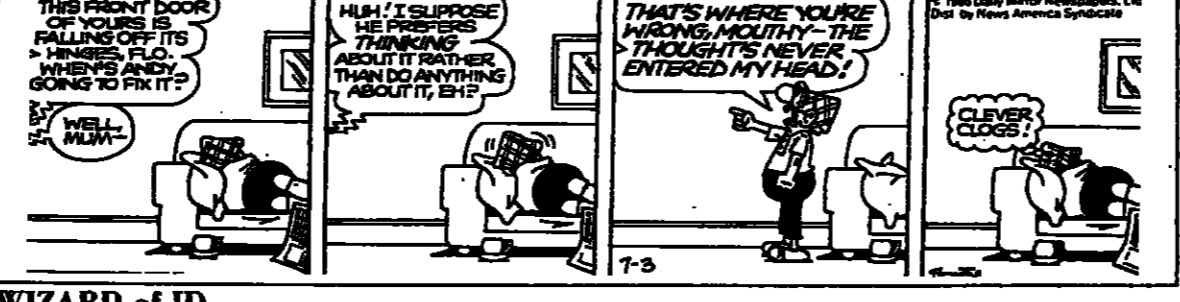
BLONDIE



BEEBLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



BOOKS

HALF THE WAY HOME: A Memoir of Father and Son.

By Adam Hochschild. 198 pages. \$15.95. Viking Inc., 40 West 23d Street, New York, N. Y. 10010.

Reviewed by Michiko Kakutani

TO the world, Harold Hochschild was not only an enormously successful businessman (the head of Amax Inc., one of the largest mining concerns in the world) but also the consummate gentleman—charming, generous and fluent in the worlds of business, politics and the arts.

To his son, Adam, however, Hochschild seemed a fearsome presence—a judgmental patriarch, the threat of whose disapproval hung darkly over his entire childhood; and as he recounts in this memoir, he would spend his entire life trying to come to terms with him.

paternal edict were met with chilly disapproval. A copy of his journal, and of a letter to his parents, was returned by his father, with the words of grammar and style.

In fact, when it came to communicating with his son, Hochschild seems to have tried to use the same methods he used with such success in his business dealings—that is, heavy doses of will and lots of methodical planning.

Sometimes this fear would become a kind of nauséous dread; his greatest terror was that his mother—his protector, confidante and intermediary with the world—would die, and leave him alone with his father.

As he is the first to point out, Adam spends the better part of his early manhood trying to separate himself from his father and his mother's way of life. After a visit to South Africa awakens him to the injustices of racism, he becomes increasingly active politically.

Certainly the world that Adam Hochschild grew up in was a rarefied and hermetic one: In Manhattan, family members saw the city through the windows of a penthouse and a limousine; at Eagle Nest, their retreat in the Adirondacks, they defined their days through meticulously scheduled bouts of horse riding, water skiing and dining.

And while Adam's father continues to chide him—sending him letters filled with suggestions about everything from work to marriage—he, too, begins to mellow as the years go by. He begins exchanging jokes with his son, visits him and his family in California, and even hands out gift subscriptions to Mother Jones as an unspoken gesture that he approves; perhaps even takes pride, in his son's vocation.

There are no tearful reconciliations between father and son—just as there were never any declarations of overt hostility—but by the time Harold Hochschild lies dying in hospital bed, Adam has been able to move toward an acceptance of this difficult man, and even to acknowledge his own love.

Michiko Kakutani is on the staff of The New York Times.

BRIDGE

By Alan Truscott

ON the diagrammed deal both North-South pairs reached the normal contract of three no-trump, and the opening lead of the club queen was the heart distribution. He shifted to the spade nine, which was covered around the table with the queen, king and ace.

The heart queen was led, and a smooth duck by West would have given South a difficult problem. But West made the normal play of winning, rightly confident about the heart distribution.

Bridge hand diagram showing North and South cards and a list of possible hands for each side.

DENNIS THE MENACE



"WHEN I AM I GLAD I'M HOME! I GOT TIRED OF BEING EVERYWHERE ELSE."

JUMBLE

A word game section with scrambled words (ECCLY, PLUIP, HUCHAN, YAHMME) and a cartoon illustration of a man at a desk.

WEATHER

A weather forecast table with columns for Europe, Asia, Africa, Latin America, North America, Middle East, and Oceania, listing high and low temperatures.

THURSDAY'S FORECAST - CHANNEL: Slightly cloudy, FRANKFURT: Partly cloudy, LONDON: Partly cloudy, PARIS: Partly cloudy, ROME: Partly cloudy, MADRID: Partly cloudy, MILAN: Partly cloudy, N. YORK: Partly cloudy, WASHINGTON: Partly cloudy, SYDNEY: Partly cloudy, TOKYO: Partly cloudy.

Herald Tribune BUSINESS/FINANCE BIGGER & BETTER.

The Trib's business section is now bigger and better than ever. Every day it's packed with the business news you need. And much, much more. Monday: Eurobonds/International Credit and World Stocks in Review. Tuesday: International Stock Markets and Futures and Options. Wednesday: International Manager. Thursday: Wall Street Watch. Friday: Technology. Saturday: Economic Scene/Business Profile. Wednesday/Thursday/Friday: Business People. Tuesday through Saturday: Currency Markets/Euromarkets. Personal Investing on the second Monday of every month. And the latest financial figures every day.



SPORTS

Leconte Downs Cash, Faces Becker Next

LECONTE, England — The 6-foot-6 (1.98-meter) Yugoslav overwhelmed the unseeded Ramesh Krishnan of India, 6-2, 7-6 (7-4), 4-6, 6-3, in a two-hour, 20 minute display of power tennis. Muscle outweighed artistry as Zivojinovic saw his serve broken only twice.

WIMBLEDON TENNIS

Leconte wept openly after clinching his 4-6, 7-6 (9-7), 7-6 (7-5), 6-3 victory over Cash, who was almost prevented from playing here by the recurrence of a back injury and, more recently, by appendicitis.



Ivan Lendl: "I've got the game to win a major title."

elimination of second-seeded Mats Wilander of Sweden. But his brave showing ended as Leconte became the first Frenchman to reach the Wimbledon semifinals since Yvon Petra in 1946.

Leconte beat Ivan Lendl in the fourth round here last year before losing to Becker in the quarterfinals, but he is a stronger player now.

The greater maturity of his game has not, however, been gained at the expense of the skill and elan that make him a pleasure to watch.

He took time to settle down to his first Center Court appearance of the championships, and flourished throughout the opening set.

Cash, catlike, posed problems from the start and moved effortlessly into a 3-0 lead. Leconte broke back in the ninth game, but dropped his serve and the set in the 10th.

The second set went with serve, even through the tie breaker, which Leconte won by 9-7 (on the only break point) when a good low return was volleyed out by the Australian.

From midway through the third set, Cash, an unseeded semifinalist in 1984, began to show the strain of his difficult comeback after eight months away from the game. He held serve and forced another tie breaker, but Leconte had sensed his opponent's fatigue and pounced at every opportunity to prevail, 7-5.

Leconte broke Cash in the third game of the fourth set, held serve three more times and then broke again in the final game with a forehand that the Australian could not volley.

Leconte raised his arms like a triumphant boxer, blew a kiss to his wife — and then broke into tears of joy. But he was composed and confident a few minutes later.

"I've got the game to win a major title," he said. "I'm more consistent these days, for sure. Even when I'm down, I'm more confident than last year."

The record shows he has been building up a solid record in grand slam tournaments during the past two years. In 1985, he was a quarterfinalist at both Wimbledon and at the French Open, and he reached the final 16 in both the U.S. and Australian Opens.



Martial Artisans, Sort Of

A brawl erupted in Tuesday night's seventh inning when Oakland pitcher Dave Stewart, a second-year student of the Korean martial art Tae Kwon Do, decked Cleveland Manager Pat Corrales (who has a brown belt in karate) with a decidedly accidental roundhouse right. Corrales had complained to home plate umpire Deryl Cousins that Stewart, having given up a



home run to Tony Bernazard, had tried to hit Julio Franco with his next pitch. Corrales and Stewart, exchanging shouts, charged each other; Corrales got in a kick to the midsection before Stewart became a one-punch winner and the benches emptied for a five-minute melee. Corrales, Stewart and Oakland Manager Jeff Newman were ejected from the game. Cleveland won, 9-0.

Phils Win on Defense and Homer in 12th

PITTSBURGH — In a game that had just about everything, including a trick defensive formation by the opposition, the Pittsburgh Pirates were left with nothing but another notch in the loss column. "We had our chances," said Manager Jim Leyland, whose team stranded 15 runners in Tuesday night's 5-4 loss to Philadelphia. "They tried to give the game to us and we wouldn't take it."

Milwaukee Mike Flanagan, victorious in his last 10 starts, won for the first time since April 17. Rangers 5, Twins 0: In Arlington, Texas, Pete Incaviglia and Pete O'Brien hit two-run homers as Texas ended Minnesota's winning streak at four. Charlie Hough, aided by four double plays, pitched his first complete game of the year and won for the sixth time in his last seven decisions. (AP, UPI)

SCOREBOARD

Table with columns for Baseball, Golf, and PGA Leaders. Includes sub-sections for Tuesday's Line Scores, National League, American League, and PGA Leaders.

Second Lethal Celebration Spawns More Questions

Maybe because of that, he thought he could handle cocaine. But cocaine blocked Don Rogers to the ground as no opposing blocker ever had. "Yes, there was cocaine found in the body," said the Sacramento County coroner's toxicologist, James Beede. "Obviously, it was a lethal dose."

involved with or thinking about experimenting with cocaine. But somehow Rogers, who was to have been married last Saturday, ignored that report. "Beede's answer suggests that Rogers ingested cocaine between the time of Warfield's call and his collapse. But as yet there is no evidence that he was a habitual user of cocaine. And the Browns, who hold what they call inner circle meetings weekly during the season for players with drug or alcohol problems, decline to disclose whether Rogers was a member of that group.

SPORTS BRIEFS

Appeal Ruling Lifts Ban on AS Roma

RICH (AP) — The Union of European Football Associations on Monday lifted a one-year ban on AS Roma, saying that the Italian club was not directly responsible for an alleged bribery attempt by a rival.

Portuguese Bars 8 From Soccer Squad

BON (Combined Dispatches) — The Portuguese soccer federation Monday barred for life eight key players from the national team, and payment of World Cup prize money and ordered an inquiry into a remainder of the 22-man squad for a brief training boycott on the last month's finals in Mexico.

Crews Take Openers at Henley

VLEY, England (UPI) — U.S. crews showed well in first-round rowing of the one-mile (1,600-meter) course here Wednesday, the opening of the 147th Henley Royal Regatta.

Employment Board Faults Red Sox

BOSTON (UPI) — The Boston Red Sox acted unlawfully when they former coach Tommy Harper after he complained of discriminatory practices by the team, the U.S. Equal Employment Opportunity Commission Tuesday.

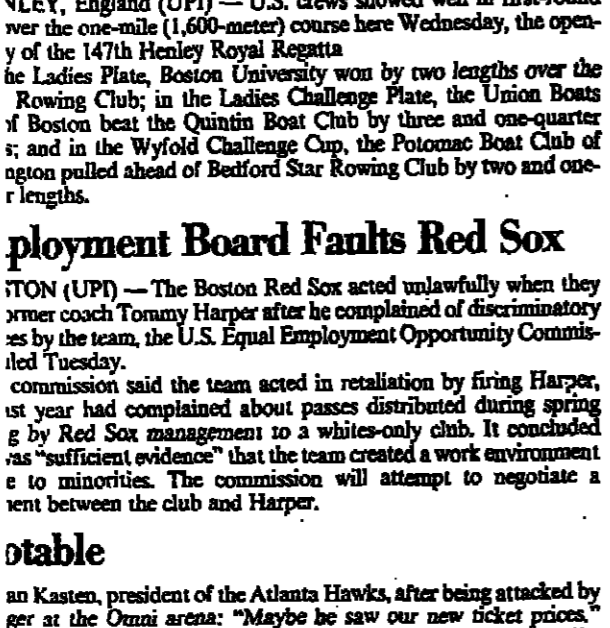
Tennis

Wimbledon Results: Quarterfinals: Henri Leconte (F), France, def. Pat Cash, Australia, 4-6, 7-6 (7-5), 7-6 (7-5), 6-3.

Transition

CHICAGO—Acquired Ivan Calderin, outfielder, from Seattle, completing the trade that sent Scott Brodsky, catcher, to the Mariners.

Don Rogers



Don Rogers

Don Rogers



Don Rogers

Advertisement for Blancpain watches, featuring a large image of a watch and the text 'BLANCPAIN 1735' and 'GOLAY FILS & STAHL'.



Handwritten note: "لا بد ان يكون"

PEOPLE

New York Gives Madona To 86 Noted Images

Liberty weekend has begun with New York's Mayor Ed Koch honoring 86 prominent...

A man charged with driving in Louisville, Kenn told officers his car was because he was legally blind...

The London production "Otello" that was postponed because the Spanish-born tenor...

The New Madonna Still Likes to 'Tick People Off'

By Stephen Holden New York Times Service



"I see my new look as very innocent and feminine."

NEW YORK — "I like challenge and controversy — I like to tick people off," Madonna boasted...

Obviously, Madonna is still much more significant as a pop culture symbol than as a songwriter or singer...

ART BUCHWALD

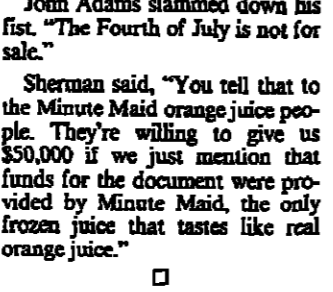
The Origins of the Fourth

WASHINGTON — It was one of those hot summer days so typical of Philadelphia...

"Why Coca-Cola?" Tommy asked. "If we write a Declaration of Independence on the Fourth of July, someone is going to have to pay for the fireworks..."

Jefferson said, "It's starting to get too commercial. I believe it would be a mistake to sell space in the Declaration, particularly if we want to keep it to one page..."

Benjamin Franklin, who hadn't said much, finally spoke. "If you are going to sell space for the signing, you will have to jazz up the document with a lot of treasonous stuff about Old George..."



Art Buchwald

Chinese Ballet Set for London The Associated Press LONDON — The Central Ballet of China will perform at Sadler's Wells Theater...

MOVING

Advertisement for International Moving and Residential Cares, listing services and contact information.

GLOBAL

Advertisement for Allied Worldwide Moving, listing services and contact information.

NIGHT VISION/SURVEILLANCE

Advertisement for Night Vision/Surveillance equipment, highlighting active infrared technology.

INTERNATIONAL CLASSIFIED

Real estate listings under 'MOVING' and 'REAL ESTATE TO RENT/SHARE' for various international locations.

International Business Message Center

Advertisement for International Business Message Center, offering business opportunities and services.

EMPLOYMENT

Advertisement for employment opportunities, listing various roles and contact information.